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Car parts makers go for growth
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Dumping deal fuels shipbuilding battle
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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY AUGUST 3 1994 — D8523A

Smurfit in deal to double size of Europe operations

Jefferson Smurfit, the Irish paper and packaging group, is more than doubling the size of its European operations in a deal worth FFr5.63bn ($1.05bn).

Smurfit is buying Cellulose du Pin, the paper and packaging operations of Compagnie de Saint Gobain, the French glass and building materials group. Page 15

Japan favours Boeing: Japan has indicated a preference for developing a 100-seat commercial jet aircraft in co-operation with Boeing of the US, rather than a joint development with European companies for a 75-seater turbo-propellor aircraft. Page 14

Newbridge Networks' shares fall: Shares in the Canadian Newbridge Networks, until recently one of North America's highest-flying technology companies, lost almost a third of their value after the company warned that first quarter earnings would not match analysts' expectations. Page 15

Nintendo to pay $208m: Nintendo of America, the US arm of the Japanese video game manufacturer, has been ordered by a US court to pay damages of $208m for patent infringement to Alpex Computer, a defunct technology company. Page 4

Whitewater focus shifts to diaries: The private diaries of a young US Treasury official emerged as the principal focus of Senate questioning on Madison Guaranty, the failed Arkansas savings and loan institution implicated in the Whitewater affair. Page 4

BP earnings exceed expectations: British Petroleum exceeded analysts' expectations when it reported second quarter earnings of £335m ($519m) more than 40 per cent up on the same period last year despite lower oil prices. Page 15; Lex, Page 14

£1m stolen in Heathrow robbery: Robbers escaped with £1m in used British and foreign currency after spraying a courier and driver with gas at Heathrow Airport. Page 6

NatWest to protect its market: Directors of the UK's National Westminster Bank announced an 83 per cent rise in pre-tax profits to £767m ($1.19bn) and pledged to fight to protect their share of the lending market amid growing competition between British banks. Page 15; Lex, Page 14

Swedish SE plans direct London trade: The Stockholm stock exchange has taken the first step towards enabling London-based members to trade directly on the bourse through its electronic SAX system, instead of through a Swedish-based broker. Page 15

General strike in Argentina: A one-day general strike to protest at the government's free-market policies failed to bring the country to a complete halt but disrupted Buenos Aires and seriously affected the interior of the country. Page 4

Brussels seeks means to ratify Gatt: The European Commission is drawing up a "code of conduct" on trade negotiations which it hopes will enable it to ratify April's General Agreement on Tariffs and Trade accord. Page 4

World Bank rejects Indian loans: The World Bank has turned down applications for power loans worth $750m for projects in some Indian states because of mismanagement in their government electricity boards. Page 14

West German output picks up: West German industrial output, the main motor of the federal economy, is gaining momentum and order intake is rising sharply. Page 2

UK rail strike set to escalate: Britain's rail dispute looks set to escalate after the conciliation service Acas failed to persuade Railtrack and the RMT transport union to return to the negotiating table. Page 6

MacKenzie quits BSkyB: Kelvin MacKenzie, former editor of Britain's Sun newspaper, has resigned as managing director of Rupert Murdoch's BSkyB satellite TV station. Page 6

Kuwait distributes compensation: Kuwait distributed the first compensation it has received as a result of Iraq's 1990-91 occupation, passing on $1,397,500 to 303 people who suffered the death of a close relative or serious personal injury.

Second Gokal brother in BCCI probe: The Serious Fraud Office in London has named a second Gokal brother in connection with investigations it is pursuing into the collapse of Bank of Credit and Commerce International. Page 7

Pope plans Sarajevo visit: The Vatican is sending an advance team to Sarajevo to explore the possibility of a trip by Pope John Paul to the Bosnian capital next month.

■ STOCK MARKET INDICES

FT-SE 100:	3,157.5	(+60.1)
Yield	3.97	
FT-SE Eurotrack 100	1,416.02	(+25.72)
FT-SE-A All-Share	1,576.29	(+1.6%)
Nikkei	20,660.13	(+388.76)
New York: lunchtime		
Dow Jones Ind Ave	3,799.46	(+1.29)
S&P Composite	461.06	(+0.07)

■ US LUNCHTIME RATES

Federal Funds:	4¼%
3-mo Treas Bills: Yld	4.418%
Long Bond	86⅝
Yield	7.367%

■ LONDON MONEY

3-mo Interbank	5½%	(5¼%)
Liffe long gilt future:	Sep 103⅞	(Sep 101⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$18.61	(19.18)

■ GOLD

New York Comex (Sep)	$379.79	(389.4)
London	$380.45	(383.2)

■ STERLING

New York lunchtime:		
$	1.53715	
London:		
$	1.5395	(1.5386)
DM	2.4346	(2.4221)
FFr	8.3207	(8.2795)
SFr	2.0534	(2.0467)
Y	154.594	(152.086)
£ Index	79.3	(79.0)

■ DOLLAR

New York lunchtime:		
DM	1.58175	
FFr	5.406	
SFr	1.3355	
Y	100.245	
London:		
DM	1.5814	(1.5743)
FFr	5.4046	(5.3814)
SFr	1.3338	(1.3303)
Y	100.415	(98.85)
$ Index	63.6	(63.2)
Tokyo close Y 99.51		

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$16	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.50	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L30000		
						UAE	Dh12.00		

Italian PM offers to make his separation from Fininvest more watertight

Berlusconi seeks solid mandate

By Robert Graham in Rome

Mr Silvio Berlusconi last night sought to restore his credibility with a public address aimed at solving the controversial issue of his conflicting interest as Italian prime minister and owner of the Fininvest media empire.

As part of a parliamentary debate called by the opposition, Mr Berlusconi offered to make even more watertight his separation from Fininvest, Italy's second largest private group which controls 80 per cent of commercial television. He said he would "accept any technical solution" suggested by parliament.

This was a significant softening of the position he outlined only last Friday. But in a defensive speech, occasionally interrupted by opposition jeering, he appeared willing to trade parliament's agreement on this key issue in return for a solid mandate to continue governing.

As the debate began, Mr Massimo D'Alema, leader of the former communist Party of the Democratic Left (PDS), insisted that the conflict of interest was so great that Mr Berlusconi had to approve a break-up of his Fininvest television interests. He said Mr Berlusconi was incapable of addressing the issue as a statesman because he was too involved in protecting his business activities from investigating magistrates. The debate marked the second time in five days that Mr Berlusconi has been obliged to confront problems created by his ownership of Fininvest. Last Friday, he proposed the creation of a five person commission to monitor any conflict of interest that might arise, plus a special administrator who would represent his interests as Fininvest's dormant proprietor.

This move followed opposition concern over the way Mr Berlusconi had become dragged into a potentially damaging conflict between the executive and the judiciary over investigations by Milan anti-corruption magistrates into the activities of Fininvest. Attention during last night's debate was focused on the attitude of Mr Umberto Bossi, the leader of the populist Northern League. In a pointed reference to Mr Bossi from his text, Mr Berlusconi appealed for his coalition partner to declare his unequivocal loyalty.

He made clear that he would not resign and that the only alternative to his coalition government was to call fresh elections, but he insisted that he had no intention of holding an early poll. It is almost 100 days since he took office.

Last Friday, Mr Berlusconi's younger brother, Paolo, handed himself in to Milan magistrates. He later admitted to paying L330m ($208,000) in bribes to members of the Guardia di Finanza, the financial police, over the inspections of three Fininvest companies. His lawyer said the payments had been made under duress. But he remains under house arrest in Milan. Three other members of the Fininvest group have been arrested in the same inquiry.

The motion had originally been prompted by concern over a meeting held on July 24 by the prime minister at his Arcore home near Milan attended by his close government colleagues who were also former members of Fininvest. The meeting was seen by the opposition as a session to plot strategy in the light of the deepening embarrassment caused by the magistrates' investigation.

SmithKline and Cyanamid look at business swap

By Paul Abrahams in London and Richard Waters in New York

SmithKline Beecham, the Anglo-American healthcare group, is in talks to acquire the drugs business of US company Cyanamid in an exchange of businesses with combined annual sales of more than $3bn.

If completed, the transaction would mark SmithKline Beecham's second big expansion in the US pharmaceuticals market this year. Two months ago, the company agreed to pay $2.3bn for Diversified Pharmaceutical Services, a drugs distributor. Cyanamid's drugs business, with annual sales of $1.4bn, would give the company a broader range of products to sell through Diversified.

The two companies are discussing a swap of SmithKline Beecham's vaccine and animal health businesses, which have annual sales of $1.2bn, for most of Cyanamid's worldwide medical operations.

SmithKline Beecham would acquire the consumer healthcare division and generic, non-patented drugs operations, while Cyanamid would retain its vaccines business.

Neither company was prepared to confirm the talks. Sources close to the deal stressed there were still a number of details to be concluded. No investment bank advisers have yet been instructed to work on the transaction, according to one of the group's usual financial advisers.

The deal would give SmithKline Beecham total annual drugs sales of about $6.2bn, according to an estimate by Lehman Brothers. It would remain the fourth largest manufacturer of branded pharmaceuticals.

"The swap would make strategic sense," said Mr Kevin Scotcher, pharmaceuticals analyst at brokers Kleinwort Benson. "The operating profits of the two sides' businesses are about the same, and SmithKline Beecham could cut costs quickly to drive up margins."

The acquisition would also provide SmithKline Beecham with new therapeutic areas such as cancer, which the company could market through Diversified Pharmaceutical Services.

Cyanamid's drugs subsidiary, Lederle has a strong position in the market for cancer products and holds a 52 per cent stake in Immunex, a Seattle-based biotechnology group specialising in cancer.

The deal would make Cyanamid the world's leading vaccines maker, and boost it from number 10 to number one in sales of animal health products, an $11bn market. SmithKline Beecham's animal health and vaccines businesses had generated operating profits of about $95m and between $120m and $140m respectively last year.

SmithKline Beecham's vaccines business had sales of about $490m last year, while Cyanamid's vaccines operations had a turnover of $305m.

Appeal at MMM offices

An elderly Russian woman gestures pleadingly towards the closed offices of the MMM finance company in Moscow yesterday. On the right is a second world war veteran, wearing a high-ranking decoration and a covering for his head against the sun.

The affair of the company, which is swaying between life and death, took another step into uncharted territory yesterday when a group of people claiming to be simple shareholders took out newspaper advertisements attacking the government for destabilising their company.

MMM, a scheme which lured millions of Russian investors with promises of 3,000 per cent annual returns, suspended trading in its shares last week after a crisis of confidence led to a collapse in the price.

Its share price tumbled to Rbs1,000 from Rbs115,000 the level to which it had climbed from less than Rbs2,000 in February. But despite MMM's troubles, bankers reported a steady rise in foreign portfolio investments in Russia in recent weeks.

"Lately, there's been strong interest in capital-intensive projects in Russia," said Mr Fred Strickland, a senior banker with the Russian Project Finance Bank. Report, Page 2 Picture: Reuter

Equity and bond prices rise in Europe as dollar gains

By Terry Byland, Philip Gawith and John Pitt in London

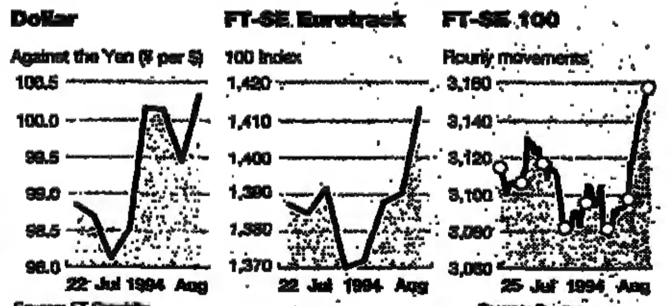
Equity and bond prices rose strongly across Europe yesterday reflecting optimism about economic recovery and interest rates.

The dollar, meanwhile, recovered above Y100 as markets took a benign view of the prospects for US-Japan trade talks. It closed in London at Y100.415 against Y98.85 on Monday.

News that German industrial production had risen 1 per cent in June, together with favourable review of the chemical industry by a Deutsche Bank research unit, focused attention on the pace of economic recovery across Europe.

The bourses in Paris and Frankfurt closed at their highest levels for more than two months. In Paris, the CAC-40 index rose more than 2 per cent in moderate trading, while the Dax in Frankfurt finished 1.5 per cent ahead.

The London stock market enjoyed its strongest session of the year. The FT-SE 100 gained 60.1 points, or 1.94 per cent, to 3,157.5. In London, concerns over base rate prospects were allayed further when the Bank of England again showed in its money market operations that it did not want rates to rise at present.



Source: FT Graphite

Source: Reuter

Currency analysts said the breakdown in the US-Japan talks was not seen as significant since there was still a lot of time to reach a compromise, and both sides seemed anxious to strike a deal. A Japanese foreign ministry official told reporters in Tokyo that talks could probably resume by early September.

A further factor bolstering the dollar is an apparent shift in capital flows. Mr Steve Hannah, head of research at IBJ International in London, commented: "We have seen some quite important switching out of yen assets into dollar assets by international investors. There may be a tide turning in favour of the dollar."

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UK inflation warning, 14
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Optical discs to be made to single standard

By Michiyo Nakamoto in Tokyo

Leading electronics companies in the US, Europe and Japan have agreed to adopt a single standard for next generation magneto-optical discs which are used to record sound and video information.

The move could significantly boost the market for the discs, likely to be the dominant recording medium for digital information in the multimedia age.

Fujitsu, the Japanese electronics company, and IBM of the US, have submitted a letter to the standards committee of the International Standards Organisation, which represents 24 companies in the industry, indicating agreement on a standard for advanced MO discs. The companies include Japan's Sony, Sharp and Olympus; Philips of the Netherlands; and Hewlett Packard and 3M of the US.

MO discs are 3.5-inch discs, resembling a CD encased in a floppy disc. MO discs record information stored in a computer, or other equipment, and are removable. They can contain several hundred times more information than the most advanced floppy discs. An example of an MO disc system currently in use is Sony's MiniDisc system, which is a recordable miniature compact disc system.

Standardising MO discs and disc-drives would reduce prices and broaden the use of the discs, which are likely to replace floppy discs as the main removable recording medium for digital sound, data and video.

The adoption of a single standard reflects a trend within the electronics industry to avoid costly and bruising battles over competing standards. However, Matsushita, the Japanese electronics company, a leading maker of MO discs, has not backed the standard, focusing instead on recording technology primarily for consumer electronics products in competition with video tapes.

The technology Matsushita is developing – phase change technology – is not expected to compete with the new MO disc

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NEWS: EUROPE

W German production picks up speed

By Christopher Parkes in Frankfurt

West German industrial output, the main motor of the federal economy, is gaining momentum and order intake is rising sharply, according to data published yesterday.

Production from western factories, mines and power plant rose 1 per cent during June, the economics ministry said in a preliminary report. Adding a rider that it expected this to be revised upwards to more than 1.5 per cent, it noted that May's decline, originally put at 0.7 per cent, had been only 0.1 per cent.

Economists said if this pace were maintained, and orders continued to rise, west Germany could see overall economic growth of more than 2 per cent this year – matching government forecasts previously regarded as over-optimistic.

Although some voiced concern about the effect of the strong D-Mark on exports and the still-evident lack of domestic demand for consumer goods, most expected a recent rise in business confidence to be underpinned by strong growth in industrial order data, due later this week.

An early indication of demand trends emerged yesterday when officials in North Rhine-Westphalia, the region's manufacturing heartland, said orders had risen 7 per cent in June, with domestic and export bookings both showing the same rate of growth.

This indicated further hardening of a recently detectable increase in support from the home market for a recovery which had hitherto been predominantly export-led.

Although German industrial output figures tend to be volatile, the economics ministry's comparison of aggregate data for May and June with the same period of 1993 showed overall western industrial production up 3.2 per cent.

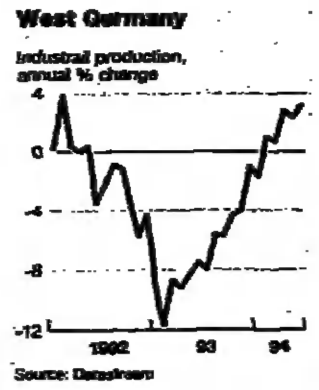
Manufacturing industry, excluding mining, energy and construction, stepped up output by 3.5 per cent in the same period, with items such as components and basic materials up more than 7 per cent.

The most significant negative result came from consumer goods, down 1.3 per cent for the two-month period. The North Rhine-Westphalian order figures suggested that falling real incomes are still depressing consumer-related industries.

While foreign orders for consumer goods from the state's factories rose 6 per cent, domestic bookings fell 4 per cent during the month.

Apart from economists, several leading German companies, including the Allianz insurance group and BMW, have recently suggested Germany's recovery could be damaged if an over-valued D-Mark depressed exports.

However, latest data from the Bundesbank show the currency has appreciated against those of its most important European Union trading partners by only 0.1 per cent since the start of the year. It has risen 8.2 per cent against the dollar in the same period, but the US accounts for only around 10 per cent of German exports.



Expansion of services sector slows in the east

Eastern Germany's services sector, which expanded rapidly after unification, is slowing because the industrial base is too small and not competitive enough to allow the services sector to expand further, according to a report issued by three economic institutes, writes Judy Dempsey in Berlin. The report also warns that unless the high level of investments is maintained and the federal government extends further subsidies to the privatised sector, there is little chance that the east will "catch up" with west Germany. The DIW in Berlin, the Institute for Economic Research in Halle and the Institute for World Economy in Kiel show that compared to the last quarter of 1993, the gross value of the services sector, at 1991 prices, declined in the first quarter of this year – by DM0.7bn to DM13.3bn. Over the same period, eastern Germany's gross domestic product fell from DM56.1bn to DM52.2bn. The value of manufacturing output fell to DM10.3bn during the first quarter of this year compared with DM11.9bn over the last three months of 1993. It adds that high labour unit costs and an under-capitalised privatised sector are hindering competitiveness. One area of consistent growth is construction, which increased to DM8.9bn from DM8.6bn in the first three months of 1994.

Moscow backs rebel power bid in Chechnya

By John Lloyd in Moscow

The opposition forces in the Russian republic of Chechnya in the northern Caucasus say they have taken over power and have received support in principle from the Russian government.

However, eyewitness reports from Grozny, the Chechen capital, indicate that General Dzhokar Dudayev, the Chechen president, appears to be still in control.

The declaration of assumption of power by the "provisional Council of Chechnya" which controls the area of Nadterechnaya – apparently outside Gen Dudayev's reach – was given immediate support by Mr Emil Pain, a member of the Russian presidential council with responsibility for ethnic affairs. Mr Pain said that the Provisional Council's session which declared its control had included more than 2000 delegates from most parts of Chechnya, thus indicating wide support.

Mr Pain called on all citizens of Chechnya, including the government, to "make its choice" – leaving no doubt that the Russian government has made its choice in favour of the Provisional Council.

However, the republic's press agency, Chechenpress, said that Mr Umar Avturkhanov, the council's leader, had been accused of treason and that warrants had been issued for his arrest.

An office worker in the presidential office told Reuters news agency that everything was calm in the capital.

The council's statement said that Gen Dudayev had "usurped authority" and that all his decrees were invalid. The council would "immediately begin preparations for general democratic elections, form a government of national revival and ensure the continuity of power pending the election of a legislative body". The council said the economy "was on the brink of disaster" and the Dudayev government had turned the republic "into the main base for organised crime in the North Caucasus".

The aims of the government of national revival include the signing of a treaty with Russia in order to normalise relations. For more than two years, Russia and Chechnya have traded insults; the former, after an early abortive effort to intervene militarily, has been content to play a waiting game until internal opposition was strong enough to challenge President Dudayev.

Mr Avturkhanov appeared on Russian television last weekend to assure Russians that Chechnya would be brought back within the constitutional fold but that it should be done without an armed invasion by Russian troops.

The Russian press has also stepped up the campaign against Chechnya, with some papers expected today to publish photographs of three headless corpses alleged to be victims of Gen Dudayev's purges. According to a photographer for the daily Sevodnya who saw the corpses, the three were handed over to their "blood enemies" by the Chechen KGB for private execution.

Green light begins to flash for recyclable cars in Germany

After years of debate, German carmakers and environmentalists are nearing a showdown about how to recycle cars. The result is likely to have implications across the European Union.

Since the late-1980s talks have often take place but have always stopped short of solutions. Several carmakers have been working on models designed to optimise recycling and increasingly cars are designed to include the maximum number of recyclable items.

Following a recent meeting between the two sides - the environment ministry on the one hand and the car industry and economics ministry on the other – carmakers are hard at work. By the end of 1995 they hope to have created a network of dealers which will recover the approximately 2.5m cars taken out of service in Germany every year. The dealers will take them apart and sell the parts or pass them on to the carmakers which have agreed to make use of what is left over.

The industry is under considerable pressure to come up with a solution: waste sites are filling up and Mr Klaus Töpfer, the environment minister, is eager to extend the ambit of his *Kreislaufwirtschaft*, a set of laws designed to create an economy where virtually everything can be re-used.

Many cars are already up to 75 per cent recyclable and BMW, for instance, prides itself on its new 7 series BMW which is 85 per cent re-usable. What is missing is a nationwide system to collect and process the cars.

The 15 associations which belong to the motor industry, including companies making steel, glass and plastic, are now drawing up plans to create such a system where recycling sites will be no further than 80km away from each other.

By 2002 all cars are to be 85 per cent recyclable and by 2015 only 5 per cent of the car's weight will be left on rubbish dumps, according to a plan submitted by Pravda, the carmakers' association.

The environment industry is backing plans to make cars 85 per cent re-usable by 2002. **Michael Lindemann** reports

BMW is working with the environmental services subsidiaries of Thyssen, Preussag and Klöckner to build a nationwide network of recyclers – similar to a dealer chain – which would take over the cars and, most importantly, break them up according to accepted environmental standards.

There is an abundance of horror stories about how cars are disposed of. Sometimes the petrol tank is filled with engine oils and, on other occasions, the car boot is piled high with used tyres. These are just two examples where people have delivered their cars for recycling and thrown in other waste for good measure, says Mr Wilhelm Kallweit, of Thyssen Sonnenberg, the Thyssen subsidiary which specialises in environmental technology.

Under the new regulations the petrol, oils, brake fluid and coolant will be collected in separate containers which are taken away by specialist companies.

Tyres, batteries and glass are already removed when cars are recycled but in future safety belts, bumpers and door pockets will also be taken back by the carmakers. These are working on technology which would allow them to re-use bumpers as the lining for car boots and door pockets as the ledges under the rear windscreen. Companies such as BMW will also supply computer software which can identify exactly what materials were used to build a 1960 model, enabling recyclers to sort left-overs more efficiently.

Engineers are also working on thermal technology which could break down other compounds found in cars. But at the moment a residue – 15 per cent in the case of the new 7 series BMW – is left over. "The rest simply ends on waste collection sites," says Mr Wilhelm Pöttinger, who heads the recycling unit at BMW.

Much remains to be done. Thyssen Sonnenberg is for the first time working on a model to identify exactly how much time is needed to take a car apart. Previously costs have been impossible to calculate because there were no environmental standards to speak of and the job was done in such a haphazard manner.

The biggest bone of contention is the price. The motor industry wants the car's last owner to pay the estimated DM200 (£82.60) it will cost to break down the car and dispose of its parts. Competition among recyclers would keep the costs down and a possible rebate for drivers would encourage them to keep their cars in the best possible condition, says Mr Alfred Bröde, a spokesman for BMW.

The environment ministry, however, is not convinced and is pushing for a higher new car price which would reflect the recycling costs. "We want to force the carmakers to think more about how they can use more of the car for recycling purposes," says Mr Martin Waldhausen, a spokesman for the environment ministry.

While industry is working to improve recycling capabilities, companies believe they will not be able to do it all themselves. "The government must force people to recycle their cars," says Mr Bröde, referring to proposals which would require people to prove that they have taken their car to a licensed recycler before they can cancel their registration.

The German plans are being extended across Europe. BMW signed an agreement with Renault and Fiat in April which obliges all three companies to take and recycle their partners' cars abroad.

However, Mr Waldhausen is not optimistic that industry will make enough progress before early next year. "There have been a lot of fine words but little of it is actual substance."

As car prices are politically sensitive and elections are looming, the environment ministry has said it will wait until early next year to see if the carmakers and the economics ministry can hammer out a workable scheme. If too much remains just talk, the environment ministry has vowed to force through laws to create a car recycling system.

MMM 'shareholders' hit out at government over company's fate

By John Lloyd in Moscow

The affair of the Russian MMM finance company, still swaying between life and death, took a further step into uncharted territory yesterday when a group of people claiming to be simple shareholders took out newspaper advertisements attacking the government for destabilising their company.

Under the headline "Why we trust MMM and don't trust the bureaucrats", the advertisement – which can be taken as a statement on behalf of MMM, even if routed through signatories – shows the same populist and ruthless sureness of touch displayed by Mr Sergei Mavrodi, MMM's president, in creating the huge financial group and promoting it through an unprecedented television campaign.

It appeared as the finance ministry announced that it had invited Mr Mavrodi to a meeting today when he will be expected to divulge how many shareholders he has, show how he could pay such huge dividends on the shares, be told to conduct an audit of the company and explain why he has neither paid the taxes demanded of him nor produced documents long demanded by the ministry.

Mr Andrei Vavilov, deputy finance minister, told Interfax news agency that the ministry remained "loyal" to those companies dealing in shares – but required them to obey the rules.

The full-page advertisement is signed by 14 names, half of whom describe themselves as white collar employees and the rest a mixture of servicemen, merchants, a teacher, a pensioner and a builder. It contrasts the state-owned Savings Bank – once a monopoly which took citizens' money, paid a tiny rate on it and enforced long waits for rude service – with MMM – which increased the worth of its shares from Rbs1500 in Fevbruary to Rbs120,000 in July and which "showed that the most effective way of attracting a large number of investors is to develop warm, human relations with them".

Because of MMM, it said, hundreds of thousands of people had lifted themselves out of poverty and tens of thousands had amassed enough capital to go into business for themselves. Where the government merely talked about founding a middle class, MMM had done so.

Noting that several senior government officials had called MMM a fraud and its leaders gangsters, the signatories say: "Can [the state] criticise, or even bring administrative pressure to bear, not for what the company has done but for what, in its view, it might do?"

An elderly Russian investor in MMM argues with a policeman outside the company's Moscow headquarters Glyn Genin

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Hungary warns of double-dip recession

By Nicholas Denton in Budapest

Hungary's new Socialist government looks set to follow the example of other east European countries ruled by former communists by abandoning its populist rhetoric and introducing austerity more severe than its nationalist predecessors could stomach.

Only a fortnight after entering office, Mr Laszlo Bekesi, Hungary's new Socialist finance minister, yesterday warned of swingeing budget cuts and a relapse into recession next year.

The finance ministry expects GDP growth of 1 per cent to 2 per cent this year after a four-year depression in which Hungary's economy contracted by more than 20 per cent.

But the famously gloomy Mr Bekesi used his first major policy statement as finance minister to warn of another dip in economic activity, with output sinking back by 1 per cent in 1995.

Just last month the Vienna Institute for Comparative Economic Studies forecast that Hungary – once the communist bloc's economic pioneer – would share in the recovery spreading from Poland to the other fast reformers of eastern Europe.

Hungary's economic rebound has been hobbled, however, by a balance of payments crisis. Hungary has the highest debt service per capita in the region and the current account deficit hit \$3.46bn (£2.23bn), 10 per cent of GDP, last year.

An International Monetary Fund delegation met the new Hungarian government last week to warn that the imbalance was unsustainable.

The National Bank of Hungary took independent action by raising its key repo interest rates by a total of four points in June and July. But that has taken real borrowing rates towards 20 per cent and the central bank said monetary policy alone cannot stabilise the economy.

The government last week cancelled the 1996 Budapest Expo to save money and Mr Bekesi said yesterday he planned an emergency fiscal package in September to reduce this year's budget deficit by Ft60bn (£383m), or 1.5 per cent of GDP. The government is also embarking on negotiations with trade unions and employers on a wide-ranging programme to claw back a recent surge in real wages.

These measures and further cuts in the 1995 budget will take Hungary part of the way towards the IMF target of halving the current account deficit to \$1.5bn in 1995.

The Socialists' austerity programme sits uneasily, however, with voters' expectations in the May elections that the former communists would ease economic hardship. It remains to be seen whether the realists, as Mr Bekesi describes himself, have the political strength to overcome the trade union wing of the party.

Commercial banks have built up large foreign exchange positions in the expectation that the government will take the easier option of a devaluation of up to 10 per cent.

Mr Bekesi refused yesterday to comment on the increasingly feverish speculation against the forint. But he left the option of devaluation open by talking of a "balanced exchange rate policy" to "anticipate rather than follow changes in competitiveness".

EUROPEAN NEWS DIGEST

Serbia warns Bosnian Serbs

Serbia, facing the prospect of stiffer sanctions, threatened yesterday to sever relations with the Bosnian Serbs if they continued to reject the latest international peace plan. Serbia's President Slobodan Milosevic told the Bosnian Serb leaders that failure to accept the plan unconditionally would amount to "treason" and "crimes against their own people". Mr Milosevic's strong message was praised by Russian and British officials. Russia's special envoy to former Yugoslavia, Mr Vitaly Churkin, raised the possibility that sanctions against Belgrade could be lifted if it broke with the Bosnian Serbs.

Also yesterday, Serb and Moslem forces clashed across Bosnia, and in the north-western enclave of Bihac, forces loyal to the Moslem government intensified their attack on a rebel Moslem faction. *Chrystia Freeland and Agencies*

Ukraine wins Gore's support

US Vice-President Al Gore yesterday offered American support for launching "comprehensive economic reform" to stabilise Ukraine's ailing economy. Mr Gore is one of the first foreign leaders to visit Ukraine's new president, Mr Leonid Kuchma, who is just two weeks in office. His emphasis on the economy was a departure from previous high-level US visits, which have focused on dismantling Ukraine's nuclear arsenal, and comes one week after the head of the IMF met the president. Mr Gore said: "A strong and prosperous and independent Ukraine is a stabilising force for peace in central Europe and throughout the entire region." The US has offered Ukraine \$700m, making it the fourth largest recipient of American aid. Mr Gore forwarded an invitation from President Bill Clinton to Mr Kuchma to visit Washington on November 29. The Ukrainian leader accepted. *Jill Barshay, Kiev*

DGB backs part-time working

The German government is not doing enough to encourage part-time work, Ms Ursula Engelen-Kefer, deputy head of the trade union federation (DGB), said yesterday. Ms Engelen-Kefer said the current arrangements for part-time work are not flexible enough, particularly for women with families. Last June Chancellor Helmut Kohl supported a plan to privatise more of the state sector, cut unemployment benefits after a certain period of time, and introduce more part-time work as a means of cutting unemployment. But Ms Engelen-Kefer said the legal basis for part-time work, including insurance, health and pension schemes, was inadequate. Recent studies have shown that more than 2.5m Germans would prefer to work part-time. About 15.5 per cent of the labour force already works part-time, most of whom are women in low-paid jobs. *Judy Dempsey, Berlin*

Romanian miners may march

Romanian coal miners, whose violent demonstrations in the capital have played a critical role in Romanian politics over the past five years, threatened yesterday to march on Bucharest if their demands were not met. Eighty thousand coal miners have been on strike since Thursday demanding that their wages be pegged to inflation, and 24 miners have begun a hunger strike. Mr Miron Cosma, a union leader, said that if any of the hunger strikers died, he would lead 200,000 miners in a raid on the capital. He also threatened to call a general strike. Thirty thousand copper miners have begun legal proceedings to join the strike. Negotiations between the government and the workers broke down over the weekend when the miners rejected a 7 per cent pay increase. *Chrystia Freeland*

Senator on bribe charge

A lawyer for Mr Maurice Arreckx, the Riviera senator detained on Monday on a charge of soliciting a FFr1.5m (£180,000) bribe to award a public contract, said yesterday his 76-year-old client had prostate cancer and should not be confined to prison, adding that government ministers facing more serious charges remained free. But Mr Arreckx's detention has been approved by his fellow senators, who heeded the warning of the Toulon investigating magistrate that, if left free during the inquiry, the veteran politician might seek to intimidate witnesses or tamper with evidence. The case against Mr Arreckx arose out of an investigation into corruption in the Var, following the assassination there last spring of deputy Mrs Yann Piat. *David Buchan, Paris*

Commission rejects cartel plan

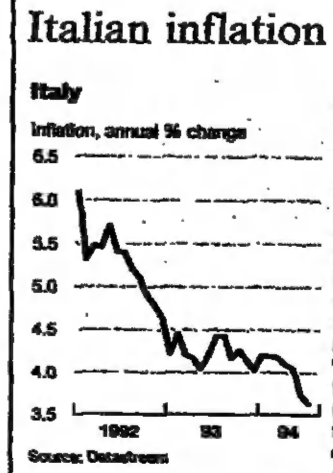
The European Commission has firmly rejected proposals by the German government to hand responsibility for decisions on European cartel cases to an independent body of experts. The proposal was put forward by Mr Günther Rexrodt, the German economics minister, as part of the programme for Germany's six-month presidency of the European Union. But the Commission, whose fourth directorate general is responsible for competition cases, argues that an independent body would lack the political sensitivity required to get the right balance between member states. The Germans would like to see a European cartel office modelled on its own Bundeskartellamt. Brussels fears that this could give too much power back to the member states. Last year some 1,250 cases involving restrictive agreements and abuses of dominant positions came before the Commission. *Emma Tucker, Brussels*

Airbus crash report published

An interim report into the crash in July of an Airbus A330 aircraft on its test flight appears to point to human error as the cause. The official report, published yesterday, says the crash of the twin-engined airliner, in which seven people died, was not the result of mechanical failure. "In the first analysis, it appears that there was no failure of the aircraft, its motors or its equipment which would have contributed to the accident," the report says. It recommends that Airbus bring to the attention of airlines using the A330 the need to monitor aircraft speed when using the altitude auto-pilot setting. Airbus said it had already implemented the recommendations. *John Ridding, Paris*

ECONOMIC WATCH

Italian inflation falls to 3.6%



Italy's inflation has fallen to 3.6 per cent on an annualised basis, the lowest level since September 1969. According to Istat, the state statistics institute, prices in July rose 0.3 per cent compared to the previous month. This is marginally higher than the preliminary figures from Italy's major cities which showed last month's inflation was running at an annualised 3.5 per cent. The current annualised inflation rate is almost one percentage point below that of this time last year. The government has projected year-end inflation will be running at 3.5 per cent and will fall to 2.5 per cent by the end of 1995. A crucial element in falling inflation has been the containment of wage demands but the impact of the recession, at last behind Italy, has also played a part. *Robert Graham, Rome*

■ Austria's unemployed as a percentage of the workforce was down 0.1 per cent in July month-on-month but unchanged at 4.4 per cent from July 1993, the Austrian social affairs ministry said yesterday.

■ Finland's unemployment rate showed a year-on-year fall in June to 17.9 per cent from 18.1 per cent in June last year, the first such decline since October 1990, Statistics Finland said.

NEWS: INTERNATIONAL

Nigeria poised for general strike today

A Nigerian court trying presidential claimant Moshood Abiola for treason in Abuja adjourned until today, when a nationwide general strike is due to start if he is not freed, Reuter reports from Abuja.

The embattled military government yesterday appealed to workers not to join the general strike, saying that a meeting was scheduled with the umbrella Nigeria Labour Congress tomorrow to discuss workers' grievances.

The NLC has directed all its 3.5m members to begin a strike from today if Mr Abiola is not released. Mr Abiola, who is widely considered the winner of last year's annulled presidential election, is on trial in Abuja for treason for proclaiming himself president.

The case resumed yesterday but was adjourned when the prosecutor could not reply to the defence motion to strike out the case and discharge him. Oil unions, which are on strike in an attempt to end military rule and secure Mr Abiola's release, said the adjournment would not help matters.

There was strong speculation that a meeting between General Sani Abacha, the military ruler, and leaders of the armed forces on Monday had decided to free Mr Abiola unconditionally to ease tension. It had been suggested all charges would be dropped during yesterday's court hearing.

Mr Abiola's lawyers argued that the Abuja court had no jurisdiction to try an offence allegedly committed in Lagos.

Mr Abiola told the judge he was still being denied access to newspapers and radio. "They lock me up unless I have a visitor. That is only when I am allowed out," he said.

The area around the court was under tight security and hundreds of people were barred from entering.

Oil industry unions said that freeing Mr Abiola would not be enough to send them back to work. "He must be sworn in because he won the election," said Mr Wariebe Agamene, president of Nupeng, the blue-collar union.

"Release itself will not be enough. The aim is to restore democracy now," said Mr Bola Owodunni, president of Pengassan.

Ina joint statement, the two unions said: "We wish to stress categorically that we remain unimpressed by the play of the government to reduce our demands to the simplistic one of the release of Abiola and other political detainees."

The unions "insist on the immediate withdrawal of the military from politics and the handing over of government to the democratically elected president".

Their strike has paralysed the nation by disrupting fuel deliveries. Banks and most other businesses have shut as a result.

Further disruption is certain to result if the Nigeria Labour Congress joins the strike as hospitals, power and water will be affected.

Meanwhile, the Shell Petroleum Development Company of Nigeria said it had advised the government against using troops to back oil companies operating under threat from striking oil unions.

Abiola: news of his release has been premature — Reuter

Daily oil output is down at least 20% and Nigeria's debt arrears have risen to $7bn

Economy faces severe test as turmoil grows

By Paul Adams in Lagos

The month-long strike in Nigeria's oil industry threatens the vital source of revenue which until now has saved the national economy from collapse.

Although foreign exchange restrictions since January have sharply depressed the non-oil sector, oil production has remained strong this year, near an all-time peak of 2m barrels a day. This provides more than 90 per cent of Nigeria's exports and over 81 per cent of forecast government revenue.

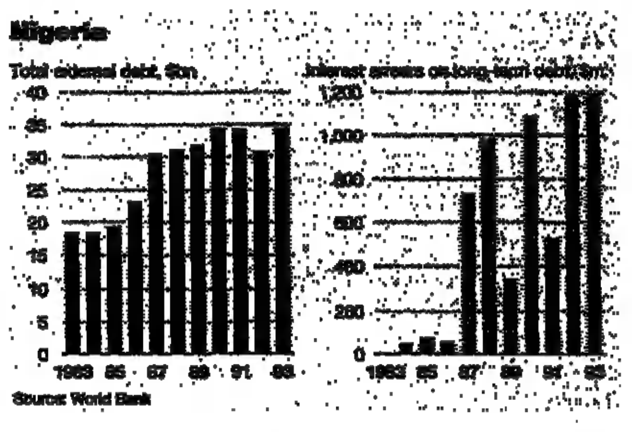
This mainstay of the economy is at risk from the political crisis leading up to today's general strike.

The anti-government action by the oil workers' unions has already cut daily production by at least 20 per cent.

Nigeria's 1994 budget was based on oil production of 1.9m b/d and an average price of $14 a barrel. Around 300,000 b/d is for domestic refineries, and the rest is exported. Net oil revenue, after the operators' share of the oil and the government's share of operating costs, is just below $4bn a year, which is less than Nigeria's total debt service obligations.

There has been no loss to the government in oil revenue during the first month of the strike as the cut in output has been offset by the sharp jump in the price of oil as traders speculated on fall in supply of Nigeria's high quality light crude oil.

If production falls below 1.5m bpd at the current price of $19 a barrel however, oil export revenue would end up below the budget forecast. The oil companies say production losses are likely to increase if the strike lasts.



Source: World Bank

The multinationals which operate Nigeria's production and exploration joint ventures - 60 per cent owned by the government - are however reticent in talking about the detailed effects of the strike. The security of their staff, their revenue and their relationship with the government are at stake.

So far only Anlo-Dutch Shell, the largest operator in Nigeria, has declared that some of its installations have been closed with a loss of at least 400,000 barrels a day.

Shell in partnership with the state owned Nigerian National Petroleum Corporation, normally produces about 1m barrels of oil per day, half of Nigeria' oil. Its operations are the most exposed to attack. Nearly all its fields are onshore and are too many to fully protect.

Threats of violence and sabotage are taken seriously and the company declined the government's offer of increased armed security forces to help maintain operations.

The crisis in the oil industry has come at a time when the country is externally insolvent. Payment arrears on Nigeria's $28bn external debt stood at $7bn by April this year, the government's deficit looks set to reach last year's level of 12 per cent of GDP, whilst state regulation of financial markets by an unstable military regime has stopped access to international aid and debt relief.

For 1994 Nigeria's government assumed debt relief which it has no prospect of securing, allowing for debt service payments of $1.8bn, whilst its obligations are $4.4bn, according to the finance ministry.

So far the Paris Club of official creditors, who are owed more than half the debt, have received no payments.

Nigeria stopped servicing its debt to the Paris Club in early 1992 and there is no prospect of debt relief since talks with the IMF broke down last year.

The government forecast a balanced budget for 1994. Economists say that the official figure of a $1.3bn deficit by the end of May is probably an under-estimate. They estimate that the flow of non-oil revenue into Nigeria has almost dried up since the budget in January. Non-oil exports, for example, fell from $16m in January to $5m in March.

Ministers freed by Gambian military

Gambia's new military rulers yesterday freed all the former government ministers who were detained after last month's bloodless coup, Reuter reports from Banjul.

The junior officers who seized power in the small West African country on July 22 also released public officials but senior security personnel remained in custody.

All 10 ex-ministers detained after the coup went to their offices yesterday to formally hand over government files to their successors appointed by Lt Yahyah Jammeh's Armed Forces Provisional Ruling Council.

Finance Minister Bakary Darbo, who fled with ousted President Sir Dawda Jawara after the coup, was the only member of the former cabinet to keep his job.

Lt Ammeh, head of state at only 29, justified one of Africa's increasingly rare military takeovers by accusing Mr Jawara's elected administration of corruption. Mr Jawara, who had led the former British colony since 1965, was granted temporary asylum in neighbouring Senegal.

Angry Opposition to boycott parliament

Government's handling of Bombay securities scandal comes under attack

By Shiraz Sidhva in New Delhi

Indian opposition parties said yesterday they would boycott the present parliamentary session in protest at the government's handling of the 1992 Bombay securities scandal.

Mr Narasimha Rao's Congress (I) party and the opposition are in dispute over the government's "Action Taken Report" on the scandal inquiry. Opposition groups allege Mr Rao used the report to shield senior ministers from criticism by a joint parliamentary committee.

Opposition leaders said they had taken the decision with "reluctant and heavy hearts", but were responding to the government's "negative attitude" to what they termed a "sabotage of parliament". The present session ends in the last week of this month.

The government yesterday offered to table a supplementary report, making the offending "Action Taken" report an interim one. But opposition leaders who had earlier suggested this move said it was "too late" to accept it now.

The joint parliamentary committee submitted its report on the Bombay stock scandal after 18 months of much-publicised deliberations. The report held Mr Manmohan Singh, India's finance minister, responsible for the scandal, and implicated several other ministers, bureaucrats and foreign and domestic banks in its report.

The government replied a "systems failure" it had inherited, not created, had been responsible for the scandal. Mr Singh, seen largely as the architect of India's economic reform programme, was staunchly defended, and the only tangible action taken by the government was a decision by the Reserve Bank, India's central bank, to penalise 35 foreign and domestic banks said to have been involved.

The walk-out by the entire Opposition, except two small groups which support Congress (I), and their further decision to resign from parliamentary committees will cripple most proceedings.

Many committees, such as the crucial Public Accounts Committee, are headed by Opposition leaders, in line with Mr Rao's move to initiate a government based on consensus.

CORRECTION

The Financial Times of July 28 reported on international banks implicated in the Bombay financial scandal. Barclays Bank, Bank of Nova Scotia, Crédit Lyonnais and the Abu Dhabi Commercial Bank were listed in error.

Tokyo to miss emissions target

By Emiko Terazono in Tokyo

Japan is unlikely to meet its official target for cutting carbon dioxide emissions, set under a UN treaty which aims to tackle global warming.

In a report to be submitted to the UN next month, Japan's environmental agency forecasts that carbon dioxide emissions will rise to an annual 330m tonnes by the year 2000, a 3.1 per cent rise from 1990.

Japan had agreed at the UN Earth Summit in Brazil in 1992 to cut greenhouse gas emissions back to 1990 levels by the year 2000.

Some industrialised countries, including Germany and Denmark, are now calling for stricter targets, requiring governments to reduce emissions rather than simply stabilising them.

During the past 20 years, Japan has halved sulphur dioxide emissions and nitrous oxide pollution, by rigorous curbs on air pollution. A recent OECD study praises the country for its achievement in reducing air pollution from industrial plants, cars and power stations.

Japanese environmental agency officials say that, because of the already rigid regulations on car exhausts and industrial emissions, there is little room for further controls.

The Japanese agency had initially tried to include a carbon dioxide emission tax in its environmental protection bill approved last year, but was forced to remove the clause following pressure from business and the government's own ministry of international trade and industry.

The Japanese government says it will, however, meet its other target for stabilisation of carbon dioxide, where emission will be frozen at per capita levels. The environmental agency said that since the country's population will have grown about 3 per cent in the 10 years to the year 2000, carbon dioxide emission per head will be unchanged.

Aside from carbon dioxide levels, the report forecasts methane emissions to fall by 16.7 per cent to 1.15m tonnes; nitrous oxide output levels are predicted to rise 8.3 per cent to 52,000 tonnes.

Protests banned in East Timor

Indonesia's military has banned protests in East Timor ahead of a planned trip by Japanese MPs and journalists – the first visit by foreigners since police broke up demonstrations last month, Reuter reports from Jakarta.

In mid-July troops used teargas and sticks to disperse hundreds of mostly Roman Catholic protesters. About 20 people were injured. Indonesia has been widely criticised for its invasion of East Timor after the Portuguese, the former rulers, left in 1975 and a formal annexation.

NEWS IN BRIEF

Spread of Aids 'threatens' Asia

A "potentially severe and long-lasting" impact of the HIV/Aids epidemic on Asian economies poses a serious threat to the region's robust growth, according to studies by the Asian Development Bank (ADB), Jose Galang writes from Manila. Mr Peter Sullivan, vice-president for operations at the Manila-based ADB, said yesterday the HIV epidemic was the enemy of the "Asian promise". He addressed the opening of an ADB-sponsored meeting on the economic implications of the disease.

The World Health Organisation, it was noted, has forecast that by the year 2000 some 30 per cent of cases worldwide may be in Asia. Mr Myo Thant, an ADB economist, noted that since the first reports of Aids cases in the region in the mid-1980s, the number of HIV infections had soared to 1m by 1991. He attributed the spread of the epidemic to "a large commercial sex industry and intravenous drug use" in the region.

"Rapid population growth, increasing mass migration of labour within the region, and a growing international and intra-Asian tourist industry, all facilitate the spread of the virus to those countries that are relatively less affected at present," he said.

UN shifts Rwanda aid focus

The United Nations is planning a big shift in its humanitarian aid programme for Rwanda, from coping with "immediate life-saving needs" – principally among the 1.2m refugees around the Zairean town of Goma – to creating the conditions for refugees to return home, Frances Williams and Leslie Crawford report.

Addressing donor governments in Geneva at a meeting to pledge contributions to the UN's $434m Rwandan appeal, Mr Peter Hansen, head of the UN's humanitarian affairs department, said the Rwandan Patriotic Front government appeared committed to bringing Rwandans back and rebuilding the country.

One element of the UN programme would be confidence-building, including deployment of international human rights monitors, to give returning refugees a sense of security. Another would be action to make sure there is no huge exodus of the 1.5m-2m displaced people now in the French-controlled humanitarian protection zone in south-west Rwanda. The 2,500 French troops are due to leave by late August.

In Kigali, an advance party of British soldiers arrived to take part in the international relief effort. The 600-strong mission, codenamed Operation Gabriel, is the largest deployment of British troops in Africa since they oversaw Zimbabwe's first multi-racial elections 14 years ago.

Medical staff hope to prevent the spread of cholera and dysentry in Rwanda by screening and treating returning refugees in Ruhengeri, close to the Zaire border. Engineers will be based in the northern town of Byumba to help rebuild bridges and repair roads damaged during Rwanda's civil war.

Explosion hits PNG gold mine

Eleven people were missing last night, following an explosion at the Porgera goldmine in Papua New Guinea's remote Enga Province, Nikki Tait reports from Sydney.

The mine, one of the world's largest, is owned jointly by Renison Goldfields, in which Britain's Hanson group holds a large minority stake; Highlands Gold, controlled by Queensland's MIM; Placer Pacific, which is part of Canada's Placer Dome and also manages the mine; and the Papua New Guinea government.

Five of those missing were said to be Australians, and others Papua New Guinea nationals.

The Porgera partners said the explosion had resulted in a fire in the storage area which was being brought under control. The cause of the blast, they added, was not yet determined. All mining and milling operations were suspended yesterday.

The mine produced 1.46m ounces of gold in 1992. But like many mining projects in PNG, Porgera has been controversial, partly because of vigorous local compensation demands, and partly because *its higher-than-expected output levels prompted the PNG* government to demand a bigger share of the project.

New Israel-Jordan crossing

Israeli and Jordanian officials met yesterday to finalise plans for a new border crossing between the Red Sea towns of Eilat and Aqaba, which will boost regional tourism and pave the way to new commercial and trade relations, Julian Ozanne reports from Jerusalem.

The crossing is expected to be opened next week by Mr Yitzhak Rabin, Israeli prime minister, King Hussein of Jordan and Mr Warren Christopher, US secretary of state, who will be in the region to spur Israeli-Syrian peace talks.

Israeli officials said the two sides were trying to finalise customs, traffic, immigration and border formalities for third-country tourists travelling between Israel and Jordan. Israel was also making a makeshift road along the northern shores of the Gulf of Aqaba where the border terminal will be built in place of coils of razor wire, sandbags and military watch towers.

Opening the Aqaba-Eilat border will be the first concrete step to normalise relations following the Washington declaration signed by King Hussein and Mr Rabin last month. At present, foreign passport holders may cross into Jordan via the Allenby Bridge but only with special permits and if their passports do not have Israeli stamps.

Israeli officials said the first telephone links between the two countries would be opened "within days". Bilateral talks on border demarcation, water, security and environmental issues will also resume next Sunday on the Israeli side of the Dead Sea as the two sides work towards a formal peace treaty.

Row over Egyptian veil decree

Egypt's education minister has come under intense fire from Islamic conservatives and roused the country's religious authorities because of a decree aimed at limiting wearing of the veil among schoolgirls, Mark Nicholson reports from Cairo.

Mr Hussein Kamel Bahaeddin issued a ruling last week that girls could wear the hair-covering veil, the mark of female Islamic piety, only if they presented a letter of permission from their parents. He said the move was to prevent "extremist" teachers from imposing the wearing of the veil, or "hejab". He cited cases of girls being "badly beaten" by teachers for not covering their hair.

Mr Bahaeddin's action appeared to be part of a government campaign to counter what it fears to be the growing influence of radical Islam in Egypt's classrooms, within a wider attempt to limit the appeal and spread of Islamic militancy.

Reality threatens to overcome China-Taiwan rivalry

Laura Tyson previews talks between Beijing and Taipei that may for the first time address the issue of direct sea and air links

Village chief Huang, who has spent most of his 64 years fishing out of Nanliao, a small port on the north-west coast of Taiwan, is angry. Since the government cracked down on a brisk trade in smuggling goods between the island and China a few years ago, local fishermen are having a tough time making ends meet.

"The government should just legalise direct shipping with China and make those smugglers pay tax, like they do on the mainland side," complains Mr Huang. "That's a much better way to manage things. Instead, they send the fishermen to jail, burn their boats and the police confiscate the goods for themselves. This is totally unreasonable. Besides, it isn't really smuggling anyway; it's domestic trade."

Even as Mr Huang was speaking, officials from rival governments in Taipei and Beijing were preparing to hold high-level talks in which, Taiwanese newspapers have suggested, Taipei may for the first time address the issue of resuming direct sea and air links to China.

Taiwan's Nationalist government has banned the *san tung* or "three directs" – transportation, trade and post – with China since 1949, when General Chiang Kai-shek fled to the island after losing a civil war to Mao Zedong's communist forces.

Fast-growing cross-strait trade is mostly funneled through Hong Kong. But smuggling and illegal fishing in the Taiwan Strait surged once the government lifted martial law and began to relax coastal defence operations in 1987.

Positioned at the narrowest point along the strait, Nanliao became a smuggling hub. To traverse the 70-odd nautical miles to Pingtan on the coast of China's Fujian province takes 10 hours by fishing boat, three to four hours by cruiser, or less than two hours by speedboat.

Lured by high returns, local fishermen plied the waters in wooden boats laden with contraband ranging from liquor, cigarettes and medicines, to narcotics from betel to heroin and human cargo which has found its way to shores as far-flung as New York. Judging by the number of Mercedes-Benzes and BMWs on the sleepy byways of Nanliao, some locals profited handsomely before Taiwan's maritime police swooped on Nanliao.

Cross-strait smuggling has simply been diverted elsewhere, mainly along Taiwan's northern coast. An estimated 200 fishing boats make the crossing each day. Smuggled Chinese products can be found in markets and 30,000 mainlanders are illegally living on the island.

From tomorrow, Taiwan's chief China negotiator, Mr Chiao Jen-ho, will begin four days of talks with his counterpart from Beijing, Mr Tang Shubei. Little progress has been made in five previous quasi-official cross-strait discussions since ground-breaking meetings in April 1993. But the stalemate in political relations belies resurgent economic ties, driven by cultural and family connections as well as the search by Taiwan businessmen for cheap labour, land, raw materials and markets. Taiwanese investment in China is estimated at more than $15bn (£9.6bn).

Taiwan officials predict that Hong Kong, the main conduit, will soon supplant the US as the island's biggest export market. In the first half of this year, shipments to the US accounted for 25.9 per cent of total exports, down 1.8 per cent from a year earlier. Exports to the British colony jumped 11.2 per cent to account for 22.9 per cent of outbound shipments. Most shipments headed for Hong Kong are destined for China.

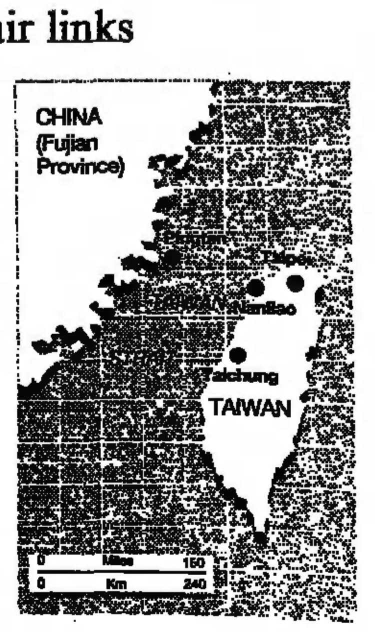
A leading Chinese businessman visited the island last week under the guise of promoting cross-strait golfing exchanges. Mr Wang Jun, president of the China International Trust and Investment Corp (Citic), China's leading international business conglomerate, met with senior figures in politics and business.

Mr Wang's low-profile tour of the island included a trip to Taichung harbour, which is preparing for the advent of cross-strait shipping. It is perhaps no coincidence that Citic and Bechtel Enterprises, the finance and development arm of the engineering group, last week jointly announced a port development plan at Daxie Island, about 100 miles south of Shanghai.

So far, Taipei has refused to discuss direct links on the grounds that Beijing must first recognise Taiwan as a sovereign government. China continues to regard Taiwan as a renegade province. But as economic ties between the two sides grow, so too does pressure from Taiwan's business community, making it increasingly difficult for Taipei to stave off the inevitable.

The ministry of transportation and communications promised early last month to produce a report by mid-1995 outlining technical aspects of direct sea and air links with China. This is probably little more than a stalling technique, as the ministry has already been studying the matter for years.

But the government knows it must come to grips with the issue before June 30 1997, when Hong Kong reverts to Chinese sovereignty, for then there can be no more pretence of keeping China at arm's length.



مطابق للأصل

Strike halts much of Argentina

By John Barham in Buenos Aires

A one-day general strike called by Argentina's opposition parties and trade unions, to protest at the government's free market economic policies, failed to bring the country to a complete halt yesterday, but disrupted activity in the capital, Buenos Aires, and seriously affected the interior of the country.

About half the buses in Buenos Aires stayed off the streets. Although bus and underground services ran normally, there were far fewer passengers than usual.

However, in the city centre, it was business was usual. Mr Jorge Vizgarra, a window cleaner, explained: "I'm not in favour of this government but, if I don't work, I don't get paid." Mr Ricardo Luca, a shop assistant, said: "If we don't work, we don't eat. We must protect what jobs and wages we have to avoid becoming unemployed."

Mr Victor de Gennaro, leader of the ATE public sector union, said: "This strike is a warning to the government to temper its arrogance and pay attention to all sectors of society.

"It is a warning over falling wages, the crisis of regional economies and the plague of unemployment."

Reports from other cities indicated stronger support for the strike. Most schools, shops, banks and factories in the industrial city of Rosario were closed.

The strike was also successful in Córdoba, the cradle of Argentina's car industry and governed by the opposition Radical party. Although the metalworkers' union at the city's two car plants decided not to support the stoppage, strike organisers claimed high levels of absenteeism.

This was the second general strike since President Carlos Menem took office in 1989. On Monday, he declared the strike illegal, allowing companies to sack employees who stayed away from work.

The stoppage comes at a time of stagnant wages and sharply rising unemployment. It follows a protest march three weeks ago, led by the organisers of yesterday's strike, that brought 100,000 demonstrators to the capital's city centre.

The strike came after the constituent assembly that is rewriting Argentina's constitution cleared the way for Mr Menem to run for re-election next year by voting in favour of lifting the ban on consecutive presidential terms.

US home sales down

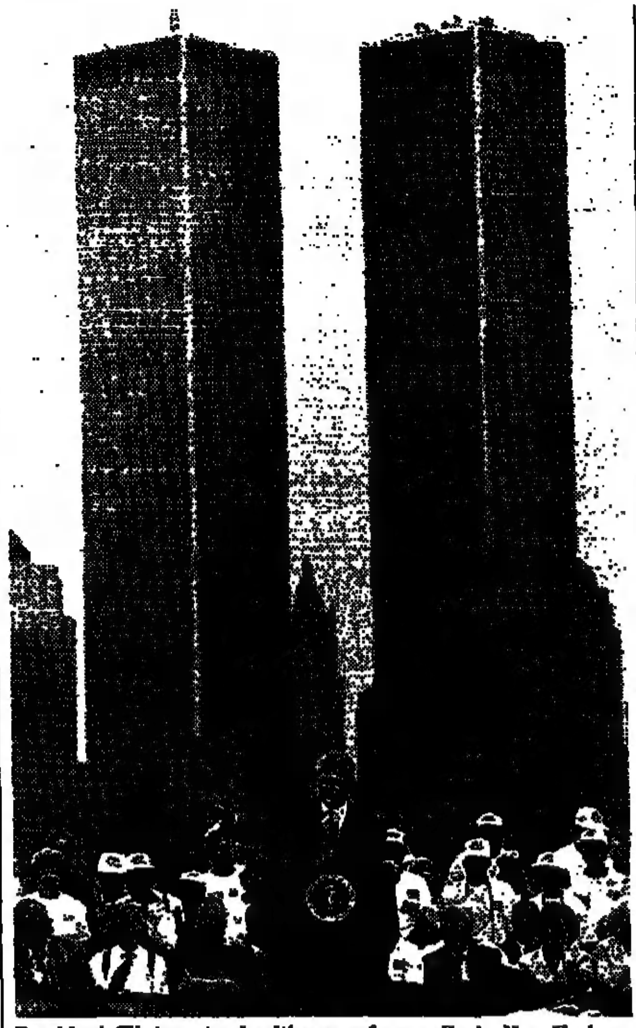
US new home sales fell 14.1 per cent in June as the Federal Reserve's four rises in short-term interest rates this year slowed the industry, Reuter reports from Washington.

New home sales fell to a seasonally adjusted 591,000 annual units in June, much lower than the 706,000 expected.

"It was a very weak report and indicates strongly that the higher interest rates are taking their toll on the housing industry," said Ms Marilyn Schaja, money market economist at Donaldson Lufkin and Jenrette Securities.

The US commerce department said the 591,000 level in June home sales was the lowest since the 584,000 units of June 1992. It also said the levels in the south and the north-east were the lowest since August 1992, and in the west sales were at their lowest level in a year.

Sales of new single-family homes were revised lower in May to show 688,000 seasonally adjusted annual units, down from a previously reported 738,000.



President Clinton at a healthcare reform rally in New York on Monday. Mr George Mitchell, Senate majority leader, was due yesterday to unveil his healthcare reform legislation. Picture: AP

Republicans try for curbs over Haiti

By Jeremy Kahn in Washington

Senate Republicans prepared a fresh attempt yesterday to limit President Bill Clinton's authority to invade Haiti, as the US administration continued to lay the groundwork for military action.

Mr Bob Dole, Senate minority leader, planned to introduce legislation with other Republicans yesterday afternoon. It would urge Mr Clinton to consult Congress before invading Haiti.

The move came after the US had secured the Dominican Republic's approval on Monday for international surveillance of its border with Haiti, in an effort to stop fuel smuggling. Despite the embargo and an international fleet virtually blockading Haiti's coast, petrol has continued to flow to Haiti's military.

The accord between the US and Dominican governments allows for about 100 UN observers, half drawn from the US, to patrol the border in six US Huey helicopters, under the US Atlantic Command.

"The operation itself, which is checking the borders and stopping smugglers, will be done by Dominican Republic soldiers and police," Mr William Perry, US defence secretary, said yesterday. The US would supply the Dominicans with helicopters, boats, night vision goggles and other equipment.

Whitewater focus shifts to diaries

By Jurek Martin in Washington

The private diaries of a young US Treasury official emerged yesterday morning as the principal focus of Senate questioning on Madison Guaranty, the failed Arkansas savings and loan institution implicated in the Whitewater affair.

Mr Josh Steiner, chief of staff to Mr Lloyd Bentsen, the Treasury secretary, said his diaries had over-estimated the amount of pressure put on Mr Roger Altman, the deputy Treasury secretary, not to excuse himself from supervising investigations into Madison.

He also told the Senate banking committee that Mr Altman had not deliberately misled the panel in February about the extent of White House and Treasury contacts over the status of possible criminal actions involving Madison, the company owned by Mr James McDougal, partner of the Clinton family in the Whitewater land development.

The committee's session came between the brutal Monday night questioning of Ms Jean Hanson, the Treasury legal counsel, and the eagerly awaited appearance of Mr Altman later yesterday. Mr Altman has asserted both his innocence of any misrepresentation to Congress and his disinclination to resign.

Mr Steiner's diaries, however, provided a rich lode for interrogation. Most interest centred on his note late in February that Mr Altman had "gracefully ducked" questions from the committee on the issue of whether he should "recuse" [excuse] himself from regulatory responsibility in his capacity as acting head of the Resolution Trust Corporation.

Senator Lauch Faircloth, the Republican from North Carolina, wanted to know the difference between "graceful ducking" and lying. Senator Phil Gramm of Texas, again quoting from the subpoenaed diaries, wanted to know why Mr Steiner found it "amazing" that the recusal issue had not come up and why it had not been volunteered to the committee.

Mr Steiner, who is 28, said he had kept his diaries for personal reasons as a way of measuring the impact on himself of being at the heart of policy-making. Entries were not made daily but often several weeks after the event.

Thus, he said, his notation about the "fateful" February 2 meeting in which Mr Bernard Nussbaum, then White House counsel, had urged Mr Altman not to recuse himself prematurely was made after the press had already started reporting the issue in depth.

In any case, he argued, the question by then was "moot" because Mr Altman had decided to disqualify himself and because the administration had decided to extend the statute of limitations covering any civil Madison action beyond the February 28 expiration.

Other past and present Treasury officials also testified to their limited knowledge of the Madison case.

Mr Dennis Foreman, Treasury ethics counsel, asserted that there was "a legitimate government purpose" in the Treasury appraising the White House of pending investigations.

Abandoned to the sharks

Jurek Martin on the bloody fate of a treasury lawyer

When the great white sharks of Washington, otherwise known as US senators, scent blood, restraint goes out of the window. Mr Roger Altman, deputy secretary of the treasury, is a meal worth consuming. Ms Jean Hanson, general counsel to the treasury, is just chum bait.

On Monday night the Senate banking committee chewed up Ms Hanson and spat her out. Not that the lawyer from Minnesota, via Wall Street and with a husband who was a Republican until recently, did not kick, fight, stick to her guns and tell senator after senator that they did not understand what she had said and why she did what she did.

But the real curiosity of a long and bitter night of interrogation was not that she was under constant fire from all the predictable Republican attack voices – the Brooklyn whine of Al D'Amato from New York, the basso profundo of Kit Bond from Missouri, the chainsaw howl of Phil Gramm of Texas and the unctuous tones of Robert Bennett from Utah, one-time exculpator of Watergate.

The sad fact was Ms Hanson was also abandoned by Democrats – not just every Democrat but the two women on the committee who might have been expected to have offered her at least a degree of protection and sympathy.

Barbara Boxer of California seemed to have clenched only one thing between her perfect white teeth. Regardless of whatever Ms Hanson responded, she found it incredulous that anybody in the administration should ever have been motivated by fear of press leaks: and this in a town where colanders have five-feet-wide holes to accommodate documents.

Nor could Senator Boxer understand – or consider even remotely defensible – Ms Hanson's remarkably frank admission that she might have erred when Mr Altman was testifying to the committee on February 24 in not leaping up to advise him that he had not disclosed the full details about contacts between the treasury and White House.

It was purely legalistic, Senator Boxer insisted from hour one to hour six, to argue that the record could subsequently be corrected, though in Washington such amplifications are routine. When Ms Hanson tried to respond, Ms Boxer talked over her, which, had she been in the Senate in 1991, she never would have done to Anita Hill in the Clarence Thomas supreme court nomination hearings.

Nor was Senator Carol Mosely-Braun from Illinois any help either. Her questioning seemed to have only one purpose – not to elicit hard answers but to extract from Ms Hanson an admission that, if she had to do it all over again, she would have done it differently. Prepared testimony and hours of careful, if sometimes laboured, answers were never referred to by the senator.

The committee chairman, Mr Don Riegle of Michigan, simply let Ms Hanson have it. But then he knows what it is like to be under the ethics gun, having been reprimanded by Congress for accepting payments from another notorious savings and loan operator. He is retiring this year in any case and thus cannot have felt the impulsion displayed last week by congressman Henry Gonzalez, who gavelled the House counterpart committee into submission every five minutes.

Even the stauncher Democrats, John Kerry of Massachussetts and Paul Sarbanes of Maryland, fed off her flesh because she had not insisted on correcting Mr Altman's testimony. They sensed, perhaps, that no one in this administration would come to her rescue.

With friends like these, there was nothing the Republicans needed to do to harm Ms Hanson, who was never their prime target anyway. Had she broken down and implicated Mr Altman they would have packed up, gone home to dinner and prepared for the morrow. But she only allowed that her "recollections" of certain meetings differed from those of her immediate superior and a few minutes before midnight even apologised for being "argumentative".

It was not, by any standards, an edifying experience. But as a window on the way Washington can work it was perversely instructive. If bright lawyers all over America were watching, 99 out of 100 must have concluded that government service was strictly for the birds, especially when this sort of grief comes with an 80 per cent salary cut.

US court orders Nintendo to pay damages in patents case

By Louise Kehoe in San Francisco

Nintendo of America, the US arm of the Japanese video game manufacturer, has been ordered by a US court to pay damages of $208m for patent infringement.

The award, to Alpex Computer, a defunct technology company, follows a jury trial in New York. The case was filed in 1986 after Alpex had declared bankruptcy. It subsequently ceased operations.

Alpex claimed that Nintendo violated its patent, which expired in May, for technology that helps video game characters move and interact. Nintendo, which has an estimated 80 per cent of the US market for home video games, denied that it had used Alpex-patented technology.

"Nintendo considers the jury's damage award and its previous finding of patent infringement to be preposterous and flat wrong," said Mr Howard Lincoln, chairman of Nintendo of America. "It's going to be tossed out on its ear." He said the verdict would have no effect on Nintendo products because the patent had expired.

Nintendo said it would ask the judge to overturn the jury decision and, if necessary, file an appeal with the US Court of Appeals for the Federal Circuit, which specialises in intellectual property rights cases.

Mr Lincoln asserted that the jury misunderstood the complex technical issues raised during the four-week trial and was misled by "inflammatory statements of Alpex counsel".

The jury did not find "wilful" infringement by Nintendo of Japan but ruled that the US subsidiary had deliberately violated Alpex patent rights. Nintendo, however, charged that the "irrational verdict against a Japanese company and its US subsidiary, together with a damage award which literally defies belief . . .lends substance to foreign distrust of the American legal system".

Alpex, which had sought $413m in damages, will ask the court to increase the award, said Mr John Strauch, a lawyer for the company. He said the verdict would send a message to large companies that "where there's a valuable piece of intellectual property held, you cannot ignore it even though it may be held by a small economically strapped company.

Ericsson secures Chinese contract

By Hugh Carnegy in Stockholm

Ericsson, the Swedish telecommunications group, has won a $400m contract to extend the telecommunications network in the Chinese province of Guangdong, the company's biggest deal to date in China.

Under the three-year agreement, signed with the Guangdong Post and Telecommunications Bureau and Machimpex, the Chinese purchasing agency, Ericsson will deliver mobile telephone systems, AXE switching systems for conventional public telephone networks and transport network equipment.

Ericsson said it would also supply equipment to pave the way for the establishment in Guangdong of broadband "information superhighway" networks for telephone, computer and television services.

China is Ericsson's fastest-growing market. It has doubled sales in both of the past two years and carved out a significant market share. China now ranks among Ericsson's top five country markets, accounting for some 6 per cent of group annual sales of SKr63bn ($8bn).

The latest deal will help allay fears that Ericsson, the world's sixth largest supplier of telecoms equipment, could lose big public projects in China to competitors such as Alcatel of France and Siemens of Germany, which can utilise more substantial export financing assistance – and political backing – from their home governments.

This year, Ericsson lost a large Saudi Arabian contract which was awarded to AT&T of the US, despite the Swedish company's belief that it had been the lowest bidder on the original tender.

Mr Lars Ramqvist, Ericsson's chief executive, made clear before the Saudi contract was finalised that he feared he would lose it because of lack of political clout with Riyadh and because the company lacked the political connections of its American, Japanese and European rivals.

Ericsson said discussions on financing the Guangdong project would start immediately. The deal is likely to be backed by Swedish export credit, more than half of which is already swallowed by Ericsson each year.

In a bid to bolster its project financing abilities, Ericsson in some cases taps the export credit supports of third countries by sourcing contracts to its subsidiary companies abroad.

EU seeks means to ratify Gatt

By Emma Tucker in Brussels

The European Union is drawing up a "code of conduct" on trade negotiations which it hopes will enable it to ratify April's General Agreement on Tariffs and Trade (Gatt) accord, officials said yesterday.

The code would determine which EU institutions take the lead in new, non-trade areas to be co-ordinated by Gatt's successor body, the World Trade Organisation. The WTO is due to be established on January 1 next year.

These include exchange rates, market access for services, intellectual property rights, anti-trust and social policies, and the environment.

Ratification of the Gatt agreement has been on hold for months, pending a European Court of Justice decision on whether member states or the European Commission has legal responsibility for conducting negotiations and entering international agreements in the WTO.

The code of conduct would avoid the problem by imposing community discipline on the member states, regardless of where the legal responsibility lay. Under the draft code, the commission would have authority to negotiate only in areas where they EU members have an agreed position.

However, the commission must agree to drop the court case before the code of conduct can be adopted.

The code of conduct solution is being pushed by Germany, which holds the six-month rotating presidency of the EU. A series of meetings has been scheduled in September to try to refine the code.

Pressure has risen since it became clear that the court was unlikely to rule on the matter until the end of this year, which would mean that the EU would miss the January 1 deadline for setting up the WTO.

Under EU rules, the commission is authorised to negotiate trade pacts with non-EU countries or blocs. The rules do not, however, deal with other types of international economic negotiations or accords.

There is some doubt as to whether the code of conduct will succeed in resolving the dispute.

Belgium, in particular, is opposed, arguing that the code will not be legally clear and that it would be better to wait for the court of justice to make its pronouncements.

The commission is in favour, alongside Sir Leon Brittan, the trade commissioner.

Japanese to move TV output to Mexico

Matsushita Television, a major unit of Matsushita Electric Industrial, will shift production of colour televisions to a subsidiary in Mexico from January 1995, Reuter reports from Tokyo.

The plant in Mexico, which has being making only television casings, will make about 1.5m colour TVs a year. Matsushita Television will also move engineering and administrative operations to a new site in southern California, with operations set to begin by April 1995.

Honda venture

Wuyang-Honda Motors (Guangzhou) Ltd, a joint venture between Honda Motor and Guangzhou Motorcycle in China's Guangdong province, will produce 125cc scooters from July 1995, Reuter reports from Tokyo.

Wuyang-Honda will produce 20,000 scooters in the first year, raising output to 100,000 in the future.

Portugal rail deal

WS Atkins, a UK engineering consultancy, has recently secured its second deal to upgrade Portugal's ageing rail network, writes Matthew Kaminski in London.

The five-year, £22m ($33.7m) joint-venture contract between ICF Kaiser of the US and Portugal's Fernando Braz Oliveira will modernise the Lisbon-Oporto line by increasing speed and safety.

HK land contract

Gardiner & Theobald, the UK-based international construction cost consultants, will work on a £70m ($107m) land reclamation project at the Yau Ma Tei typhoon shelter in Hong Kong, writes Matthew Kaminski in London.

The firm will draw up plans on how to reclaim the existing shelter and dredge the harbour so as to create 70 hectares of land needed to provide road and rail links to the new airport at Chek Lap Kok.

Ships deal fuels rivalry

Michiyo Nakamoto and John Burton on effects on Japan and S Korea of world shipbuilding accord

The recent agreement by leading shipbuilding nations to end government subsidies and to allow for anti-dumping duties has added a new element to the rivalry between the two largest shipbuilding countries, Japan and South Korea.

The agreed ban on government subsidies to shipyards promises to strengthen the global market share of both the Japanese and South Korean shipbuilding industries – neither of which receives direct subsidies – by undermining the competitive advantage enjoyed by their European rivals.

But the introduction of anti-dumping duties – tariffs designed to compensate for what are regarded as artificially low export prices – on ships could pose problems for Japan and South Korea, which have frequently resorted to price cuts to win new orders. The two countries build about 70 per cent of the world's ships.

Last year, for the first time, South Korea had more orders than Japan with 40 per cent of worldwide orders against Japan's 32 per cent. In the first six months of this year, however, Japan has again risen to the top with 4.95m gross tonnes in orders against 1.9m gross tonnes for Korea, according to the Shipbuilders' Association of Japan.

"There is a widespread belief in the South Korean shipbuilding industry that Japan has gained the new orders by quoting below-cost prices," said Mr D J Yook, shipbuilding analyst for W I Carr in Seoul.

Japan's pricing is designed to compensate for the competitive advantage enjoyed by South Korea whose production costs are 25 per cent lower.

Labour costs in Korea are half those of Japan and Korean prices for steel, which account for half of raw material costs for ships, are 20 per cent cheaper. In addition, the sharp appreciation of the yen's value against the US dollar has further raised the relative costs of Japanese shipbuilders.

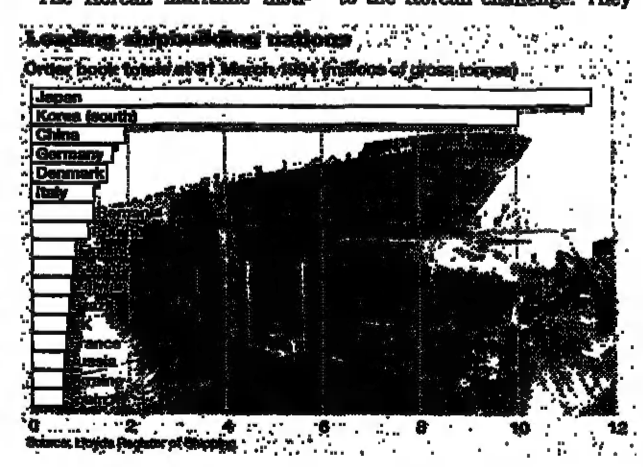
The measures to end "injurious pricing" by 1996 could benefit Korea in the short-term by forcing Japan to raise its prices.

But Korean shipbuilders may also be subject to anti-dumping suits if they cut prices to fill the order books of their expanding network of shipyards.

"Korea is committed to becoming the world's largest shipbuilding nation and I believe the Koreans are willing to risk dumping suits by offering low prices if it means full dockyards," said Mr Yook.

Korea decided at the end of last year to lift a government ban on increased shipbuilding capacity, which is expected to rise by 3m tonnes in the next few years.

The Korean Maritime Institute recently estimated that the country's shipbuilding capacity was likely to surpass that of Japan by 2000, with an annual production of at least 8.5m tonnes against 8m tonnes for Japan.



The expansion has triggered an outcry among other shipbuilding nations concerned that it will cause a supply glut and depress prices.

"There is no need for increasing capacity," protested Mr Shigeru Gohda, chairman of the Shipbuilders' Association of Japan and of Sumitomo Heavy Industries. "If the Koreans increase their capacity as much as reported, that would increase world capacity by 10 per cent. That would lead to another recession in the industry."

Korean shipbuilders justify the move by arguing that the government restriction on shipyard expansion had prevented them from accepting new orders last year. And, they say, the new capacity will lower production costs since shipbuilding benefits from economies of scale.

Whether Korea's low prices are the result of improved efficiency or dumping, the new anti-dumping measures "give the EU and other countries the chance to harass Korean shipbuilders by suing them", said Mr Lee Keunmo, an analyst at Baring Securities in Seoul.

Meanwhile, ship owners are delaying new orders in the expectation of lower prices.

So far, Japanese shipbuilders have stood up moderately well to the Korean challenge. They have the advantage that the quality of their vessels has a superior reputation.

Japanese productivity is also higher than in Korea, according to Mr Bruce Roscoe, vice president of the investment research department at Goldman Sachs in Tokyo.

But time is running out for the Japanese industry. The real threat for the Japanese is not so much greater capacity in Korea, but how soon the Koreans catch up in productivity, Mr Roscoe added.

To meet that challenge, Japanese shipbuilders are moving to reduce costs by increasing foreign procurement, including buying steel from Korea, and raising productivity further.

"This is the third major challenge we have faced since the war," said Mr Gohda. He is counting on the ability of the Japanese shipbuilding industry to repeat the restructuring it went through during the oil shock of the 1970s and the yen appreciation of the mid-1980s.

Hoverspeed raps immigration law

By John Willman, Public Policy Editor

Hoverspeed, the cross-channel hovercraft operator, has lodged two complaints with the European Commission over a UK law fining international transport carriers for bringing illegal immigrants into the country.

The company, a subsidiary of Sea Containers, says that the operation of the act on cross-channel services between England and France is in breach of the provisions of the Treaty of Rome guaranteeing free movement within the European Union.

It also complains that the government is giving illegal state aid to channel tunnel rail services by exempting them from the fines.

Hoverspeed says that it has paid £484,000 in fines since the introduction of the law in 1987 and spends around £100,000 a year on checking passengers' passports to avoid liability.

By exempting train services through the tunnel, the UK government is giving it a "hidden subsidy", Hoverspeed says.

The accusation follows an application by Eurotunnel for a judicial review of a Commission decision to retain duty-free sales on cross-border journeys within the EU until 1999. Eurotunnel says that this is a hidden subsidy to the ferries and airlines which can sell duty-free goods during journeys, unlike train operators.

Hoverspeed's complaints will reopen the controversy over the Immigration (Carriers' Liability) Act 1987, which imposes fines on airlines and shipping companies who bring passengers into the UK without a valid passport or visa. The fine is £2,000 per passenger, in addition to the costs of detaining illegal immigrants and returning them to their country of departure.

Hoverspeed – like the airlines – opposed the act from its inception, Mr Geoffrey Ede, the company's managing director, said yesterday. "To expect check-in assistants to operate as immigration officials and to fine the operator when they fall short is unreasonable. Their job is to welcome people onto our SeaCats and hovercraft, not keep them off."

Mr Ede added that the government had refused to listen to Hoverspeed's representations on the issue, leaving them no alternative but to resort to the law.

The Home Office said last night that the exemption for channel tunnel rail services recognised their "unique character".

Rail dispute set to escalate after talks fail

By Robert Taylor, Labour Correspondent

Britain's rail dispute looked set to escalate last night after the conciliation service Acas failed to persuade Railtrack and the RMT transport union to return to the negotiating table.

Both sides accused the other of intransigence as five days of exploratory talks failed to break the deadlock in the signalling staff dispute.

The RMT executive announced it had called a further 24-hour strike for next week, on Friday 12 August, and a 48-hour stoppage on Monday and Tuesday 15 and 16 August.

The strikes will paralyse much of the rail network for five days over a weekend in the peak holiday season.

These stoppages are in addition to today's 24 hour strike – the eighth in the present dispute – which starts at noon and ends midday tomorrow.

"This is the most disgraceful, wrecking tactic we have seen from a union for along time. It is a vicious action designed to cause the maximum disruption", said a Railtrack spokeswoman. "The union is holding the nation to ransom".

Mr David Armstrong, Railtrack's human resources director, described as a "sham" the union's claim that it was willing to negotiate freely.

"The RMT has rejected every attempt to find a solution throughout the many weeks of this dispute", he added. "They have not made a single concession. Their posturing of the last few weeks has lost each of their members hundreds of pounds this summer and thousands in the future", he said.

Railtrack hopes that many signalling staff will be horrified at what it sees as RMT's intransigence and will ignore the strike calls.

About a third of the network is expected to run through today's strike. The company may seek to ballot signal staff to find out whether they will accept an offer that Railtrack estimates is worth on average 7.2 per cent on earnings, backdated to 4 April and up to 1 October.

It would be followed by a restructuring package increase in basic rates of up to 26 per cent. Overall, the offer would be worth up to 10 per cent.

In the absence of RMT general secretary Mr Jimmy Knapp, who is attending an international union conference in Switzerland, Mr Vernon Hince, the union's chief negotiator, accused Railtrack of a "public relations exercise" in offering signal staff in the south west payments of up to £800 to work on strike days.

Construction of the £1.9bn extension to London Underground's Jubilee Line is gathering pace with the arrival in Greenwich of "Sharon", a tunnel boring machine from Canada which will dig part of the project. The extension is due to be completed in March 1998 Picture: Brendan Corr

Britain in brief

£1m stolen in currency raid at Heathrow

Robbers escaped with £1m in used British and foreign currency yesterday morning after attacking a courier and driver at London's Heathrow Airport.

Scotland Yard said the two were returning to their car, parked at the airport's Terminal One, when they were approached by three men who sprayed a white substance, believed to be CS gas, into their faces.

One of the robbers then grabbed the courier's case containing about £1m in sterling, US and Canadian dollars and Belgian, Swiss and French francs. Police said the money was being transferred from an unnamed source in the Middle East to a financial institution in the City.

"We are not prepared to say at this stage where it came from or where it was bound," said Det Insp Norman Walker.

"We are looking at several lines of inquiry including the level of inside information on the attack."

Heathrow was the scene of Britain's biggest-ever robbery in November 1983, when thieves seized £26m in gold from a Brink's-Mat warehouse.

Tabloid legend quits TV

Mr Kelvin MacKenzie, who in 13 years as editor of The Sun established the paper's reputation as Britain's most notorious tabloid, last night resigned as managing director of the satellite company British Sky Broadcasting, blaming a "personality clash".

Last night Mr MacKenzie said he had worked for Mr Rupert Murdoch's News Corporation for 20 years and that his leaving "does not cast any shadow over my very fond memories of the company."

Mr MacKenzie's Sun earned a unique place in the history of British journalism with headlines such as "Stick It Up Your Junta" during the Falklands war and "Freddie Starr Ate My Hamster".

Mr MacKenzie was probably appointed managing director of BSkyB – a venture in which Pearson, owners of the Financial Times has a stake – partly as a reward for his performance at The Sun and partly in the hope that his populist touch would translate into television.

Mr Murdoch said: "His hard work and determination will long be remembered. I count him as a friend and wish him every success."

Johnson plans on expansion

Johnson Controls, the US automotive components manufacturer, is expanding its seat slide operations in Telford, Shropshire, with a move from a 20,000 square feet to a 170,000 square feet plant. It expects gradually to increase its payroll from 150 to 250. The company started seat slide manufacturing at Telford late last year.

Holiday sales set for record

A record 9m overseas summer holidays are likely to be sold by UK travel agents this year, despite the hot weather in Britain, travel agents Lunn Poly said yesterday.

Travel agents had sold 7.5m summer holidays by the end of June – over 1m more than by the same time in 1993. A sales figure of 9m for the summer would be a 13 per cent increase on last year and well above the previous record of 8m, set in 1987.

Although a record 19.3m overseas tourists visited the UK last year, the tourism balance of payments deficit was £3.1bn.

Lunn Poly, which is the UK's biggest travel retailer with 731 shops, said overseas holiday sales had been stimulated by price cutting.

Spain remained the most popular destination for UK holidaymakers, increasing its market share to 44 per cent this year from 37 per cent in 1993.

Greece was in second place with 16 per cent, down one percentage point from last year. The US share of British holidays has fallen to 5 per cent from 6 per cent, largely as a result of violence against tourists in Florida. However, the total number of Britons buying US holidays had risen to 400,000 by the end of June from 354,000 last year.

Construction levels rise

Workload levels in the construction industry have risen for the first time in more than four years according to a survey published today by the Royal Institution of Chartered Surveyors.

It said that order books of more than 200 quantity surveyors rose by 0.5 per cent during the three months to the end of June workloads compared with the previous three months.

Much quantity surveying work occurs early in the construction process when costings are provided for contracts. Their order books, therefore, provide a good indicator of future workloads. Over the past 12 months workloads have fallen by 7.5 per cent.

Tanker refit stays on Tyne

A tanker refit won by Tyneside shipbuilder Swan Hunter but then lost because it remains in receivership is to be carried out by another business on the Tyne.

The Ministry of Defence said yesterday that shiprepairers A & P Appledore (Tyne) had now been awarded the Olwen contract, which will create more than three months work for up to 400 men.

A & P said it meant continuity for its existing labour force rather than recruitment.

Correction Mr Imran Imam

In Saturday's report on the conviction of Mr Imran Imam, a former Bank of Credit and Commerce International employee, for offences connected with the inflation of the bank's profits, we reported he received an interest-free loan from BCCI. Mr Imam's loan was not given on any preferential basis.

Heseltine in row over DTI spending review

By Lisa Wood

Mr Michael Heseltine, Britain's trade and industry secretary, ordered the exclusion of Treasury officials from spending reviews at his department. He then wound up the exercise four months before it was due to be completed.

Mr Heseltine is understood to have said that the working parties, involving DTI and Treasury officials, were taking up "too much time" and that he had his own ways of scrutinising budgets.

Mr Heseltine's action in February throws further light on the friction between him and Mr Michael Portillo, the new employment secretary, over the government's public spending review.

Their differences came into the open earlier this week with the leaking of a letter in which Mr Portillo, then chief secretary to the Treasury, upbraided Mr Heseltine for failing to support policies to cut taxation and spending.

Mr Portillo pressed Mr Heseltine to accept drastic cuts in a large number of DTI programmes, including regional assistance grants, all support for shipbuilding and all backing for an independent UK space programme.

Civil servants said yesterday that the tone of Mr Portillo's letter may have been influenced by Mr Heseltine's premature winding up of the reviews and the fact that he barred Treasury officials from attending the final meetings.

The government's series of fundamental reviews was devised to take a longer-term look at what Whitehall departments should be doing. The review of the DTI began late last year, with a number of working parties.

Two months into what should have been a six-month review, Mr Heseltine announced that he wanted the working groups in his department to be wound up within two-and-a-half weeks and that Treasury officials should be barred from final deliberations. The groups concluded their work without the Treasury being part of the process.

Meanwhile, the Confederation of British Industry yesterday came down firmly against sweeping cuts in state support for business as the fierce debate over the government's public spending plans gathered momentum at Westminster.

Mr Howard Davies, CBI director-general, said the organisation supported the government's "existing tight programme totals" including the maintenance of spending by the Department of Trade and Industry.

Mr Davies focused particularly on support for British exports, saying it would be "a great mistake" to cut government backing for overseas trade. But he said public spending should not be allowed to "over-run", while the government's £5bn contingency reserve should be "used to reduce borrowing not allocated to programmes."

SFO seeking brothers in BCCI probe

By Andrew Jack

The Serious Fraud Office has named a second Gokal brother in connection with investigations it is pursuing into the collapse of Bank of Credit and Commerce International.

The SFO confirmed yesterday that a warrant for the arrest of Mr Abbas Gokal issued two weeks ago also names Mr Mustafa Gokal and a number of other individuals linked to BCCI.

The two brothers, with a third, Mr Murtaza Gokal, were controllers of the Gulf shipping group, which was the largest debtor to BCCI before it was closed by banking regulators around the world in July 1991.

The liquidators to BCCI at accountants Touche Ross began legal action in London last November against the three Gokal brothers for several hundred million dollars in connection with efforts to recover money for the bank's creditors.

They are pursuing the Gokals for damages for conspiracy and unlawful interference with the plaintiff's business, deceit and procuring breach of contract, and for damages and compensation for fraud.

The SFO warrant against Mr Abbas Gokal was issued after word reached British investigators that he was travelling from Pakistan through Germany en route to north America. It charges him with conspiracy to defraud and conspiracy to false account in relation to BCCI.

Mr Gokal was arrested in Frankfurt and is currently detained while police negotiate his possible move to London.

If he is successfully extradited to the UK, it could trigger one of the most significant trials so far to those involved in the alleged frauds at BCCI.

It is believed he was travelling to hold discussions at his suggestion with the US Department of Justice and the District Attorney's Office of New York, which had granted him temporary protection from arrest for any offences committed before his arrival in the US.

Separately, it emerged yesterday that a Paris-based bank had launched a bankruptcy petition against Mr Abbas Gokal for unpaid debts of $22m.

Alef Bank SA filed the petition in London's High Court naming Mr Abbas Kassimali Gokal, formerly of Ascot, Berkshire, whose current address is given as Karachi, Pakistan.

It is believed that the liquidators to BCCI have been made aware of the petition and may attempt to block it to prevent Mr Gokal escaping its own pursuit of substantial claims against him.

C4 to transmit wide screen programming

By Raymond Snoddy

Channel 4 is to become the first national broadcaster in the UK to transmit regularly wide screen programming – with the help of grants from the European Union and support from Nokia Consumer Electronics.

The channel has undertaken to screen at least 500 hours of programmes between the launch date in October and the end of 1995.

Wide screen television is similar in shape to a cinema screen, using a 16 by 9 shape ratio compared with the conventional 4 by 3 ratio of current sets.

Wide screen is seen as being particularly good for films and sport and much of the Channel 4 wide screen coverage will involve both films and sport.

Mr Frank McGettigan, director and general manager of Channel 4 said yesterday he believed wide screen television was the format of the future and it could be offered now without waiting for digital technology.

The system is based on PALplus, an enhancement of existing television technology so that those without the special wide screen decoders can still receive an ordinary picture.

When Channel 4 is transmitting in wide screen those with conventional television sets will receive their picture in "letterbox format." Letterbox pictures, already often used for showing feature films will have black bands at the top and bottom of the screen.

Nokia, which last month launched a new PALplus set with integrated decoder to receive wide screen pictures in October is meeting half Channel 4's £1.5m bill with the EU meeting the rest.

The new sets will costs around £1,500 including speakers.

The EU is also funding PALplus broadcasts in Germany, the Netherlands, Spain, Portugal, Belgium and Greece.

In France, where a wide screen service using MAC technology is already being broadcast, sales of sets are expected to rise from 3,500 in 1992 to a projected 100,000 this year.

MANAGEMENT

Ready for a crisis

British management is at last taking crisis management seriously, according to a review* published by Infoplan, a public relations group whose activities include devising strategies for dealing with corporate crises.

Crises that cause a lack of corporate sleep range from bombs to television sets that burst into flames, says the survey of 250 major companies, selected from the FT-A 500.

Some 92 per cent of those surveyed claimed to train all of their employees, to a lesser or greater degree, in crisis systems and procedures. At the most basic this would include fire drills.

Sabotage, extortion and product faults; fire; dirty tricks and fraud; and environmental disasters were among respondents' biggest fears.

All respondents considered bombs to be a real threat to business. As Infoplan says: "It is therefore interesting and concerning that 52 per cent of companies that had developed a crisis management plan with well-tested systems and procedures, always assumed, no matter what the emergency, that they would still have access to their own building."

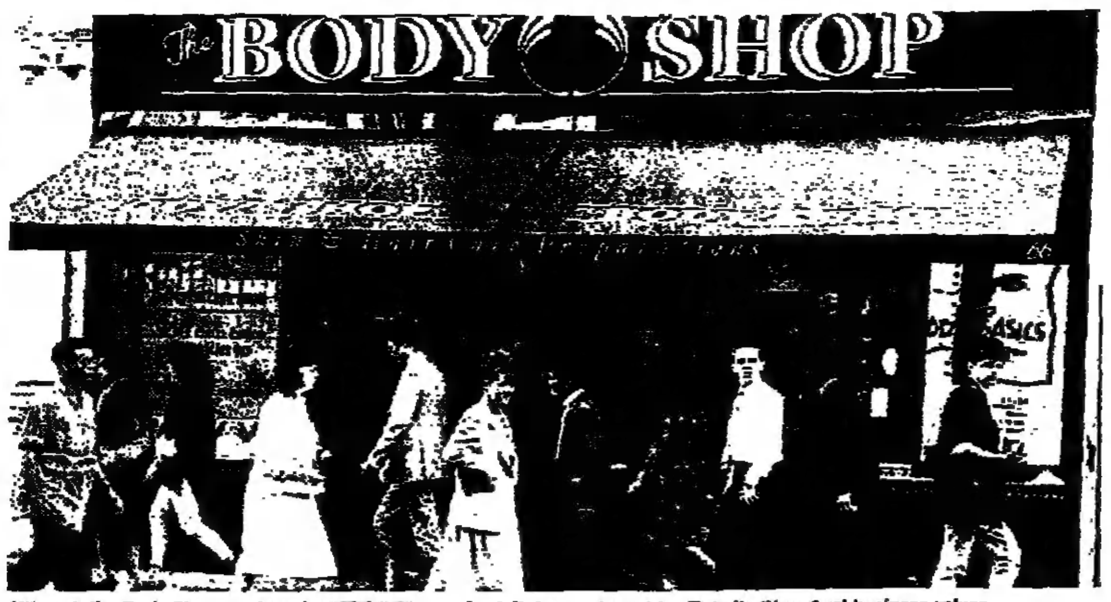
The report includes advice from the Metropolitan Police on problems such as extortion and from the Ministry of Agriculture on food matters. (Respondents considered the food and drinks industries to have been the most at risk in 1993 with mould growth and metal, plastic and glass slivers mentioned as major concerns.)

Companies that were felt to have handled their own crises well included British Midland – one of whose aeroplanes crashed in 1989 – and Perrier which withdrew 40m bottles in 1990.

Crises believed to have been handled badly included the Hoover airfare promotion.

Lisa Wood

**The review of crisis and risk management, from Infoplan, 38 Bedford Square, London WC1B3EG. Price £87.50*



Although the Body Shop wants to be efficiently organised, it does not want to dilute its 'New Age' business values

The passage into adulthood

As it grows, the Body Shop is striving to balance convention with creativity. Vanessa Houlder reports

The Body Shop, the environmentally conscious toiletries business that was founded 18 years ago, has outgrown its management structure. The need for change was acknowledged by the company late last week, when it expanded its board and announced the appointment of a new managing director to take responsibility for much of the group's day-to-day management.

The changes were the result of a year-long review in which the company tried to address the question of how it can preserve its distinctively idealistic and innovative culture while achieving the efficiency of more orthodox companies.

Anita Roddick, the company's flamboyant founder, has relinquished the title of group managing director in favour of that of chief executive. The company has appointed three new directors and changed the responsibilities of three of the existing directors. It also indicated that it would shortly appoint two non-executive directors.

Under the new structure, Anita Roddick will continue to be the driving force in the search for new products. However, the responsibility for transforming those ideas into products has been handed over to Stuart Rose, the new managing director who was formerly in charge of corporate development. Gordon Roddick, Anita's husband, remains as chairman of the group, but has also handed over some executive responsibilities to Rose.

The changes are a response to the growth and increasingly international character of the company, which made pre-tax profits of £29.7m on sales of £195.4m in the financial year that ended last February. Its expansion has exposed shortcomings in the loosely defined structure of the group's top management and problems stemming from the lengthly absences of Anita Roddick, who spends much of her time travelling to remote suppliers, in rainforests and elsewhere.

The difficulties were brought into focus two years ago when a drop in profits provoked concern that the company had lost control of parts of its empire. Critics in the City of London pointed to a need to bring in more professional management and, in particular, non-executives to provide checks and balances to the executive directors. The complaints were reinforced by Robert Gluckman, the company's international general manager, who left complaining about the Roddicks' "autocratic" style.

Gordon Roddick says he takes "almost no notice at all" of City criticism and dismisses Gluckman's comments as "rubbish". However, he says that the problems in the company's structure had become apparent in the lack of communication and control between different parts of the group. "It had reached the point where the lack of a good structure was impeding creativity," he says. "Ideas were taking a long time to come through."

In many respects, the Body Shop is confronting an issue that is faced by any entrepreneurial company which is forced to adopt a larger, more bureaucratic, structure as it matures.

However, the Body Shop's growth has brought with it extra complications. Although the company wants to be efficiently organised, it does not want to dilute its "New Age" business values which emphasise human, animal and environmental rights. "We wanted to maintain within the structure the values and vision of the company," says Gordon Roddick.

For many other idealistic companies, growth has involved compromises. Ben and Jerry's Ice Cream Company, which Anita Roddick describes as "like a brother company", has been forced to water down its unusual executive salary policy – by which it restricted top salaries to a maximum of eight times the pay of its lowest paid worker – with its recent decision to bring in a new chief executive to deal with the problems of growth.

The risk that the Body Shop would become more conventional as it brought in more outsiders who did not share the company's original philosophy was a real one, according to one insider. "The company wobbled on the brink of becoming an ordinary organisation," he says.

In trying to address this dilemma, the Body Shop conducted a brainstorming session with its 22 most senior managers. Over a day and a half, they were invited to come up with all conceivable criticisms of the company's workings, after which they discussed possible solutions.

It also sought advice from Ichak Adizes, an Israeli management consultant. Gordon Roddick, who distrusts the attitude of most consultancy firms, liked the way that Adizes dealt with business "in very human terms".

He was attracted to the philosophy that when businesses have grown to a certain stage they need to create a balance between bureaucracy and creativity. "You need to have both in constructive conflict, but neither stronger than the other," says Gordon Roddick.

One conclusion from this exercise was that different people should be put in charge of the bureaucratic and creative aspects of any function. This is to prevent the day-to-day demands on the administrative aspects of a role from pushing out the more creative aspects.

The most distinctive feature of the organisational structure devised by the Body Shop and its advisers is the prominent roles given to people in charge of cultural aspects of the business. For example, one executive is responsible for "values and vision" and another for corporate culture. "You have to systematise your values and vision," says Gordon Roddick. "You have to systematise corporate culture in order that it enters into the reflexes of the business."

Put more simply, the decision to devolve some of the responsibility for the company's values from the Roddicks was in part, according to Gordon Roddick, "a question of what happens if my wife and I get run over by a number 52 bus".

If you can't say something nice . . .

Are references worth more than the paper they are written on, asks Richard Donkin

Britain's House of Lords ruled recently that employers have a duty to take reasonable care when writing references about former staff members. The ruling was hailed as a victory for employees, but how much will it really affect the current processes of vetting job applications?

Geoff Armstrong, director general of the Institute of Personnel and Development, believes the ruling will make little difference to the private sector where, he says, recruiters are already circumspect about references because of the various pieces of anti-discrimination legislation that have emerged over the years.

The Law Lords ruled by a majority of four to one that Guardian Assurance, a subsidiary of Guardian Royal Exchange investment group, had not taken sufficient care when writing a reference on a former insurance salesman.

The reference stated that the salesman had "little or no integrity and could not be regarded as honest". The salesman said the statement was untrue and meant that he could not get another insurance job.

Clearly the impression of a single reference can be dangerous. Whatever motivated this particular reference, it demonstrates that employees who leave companies in some circumstances could, without the duty of care imposed by the Law Lords, be exposed to malicious comment.

The case has yet to return to the Court of Appeal which will look at a claim for damages but the decision makes clear that organisations that give poor references can now face legal actions for claims of negligence.

Armstrong believes the ruling will encourage recruiters to do what they often do now anyway – take references over the telephone. That way only they know what is said.

Fraser Younson, an employment lawyer, says that a possible problem could arise from this when a job offer is conditional on references. If the prospective employee challenges a subsequent rejection, alleging that it was made for some other reason such as racial discrimination, the employer would have no written evidence of the reference to support the decision.

In practice, says Younson, the ruling is likely to mean that employers will have to be more circumspect and careful about covering their backs.

Some referees may err on the side of praise or resort to euphemism. When an organisation had an ineffective employee it wanted to get rid of, one well-known ruse used to be to give him a glowing reference to help send him packing. Some did quite well out of it, moving up the career ladder, propelled by their very mediocrity.

As it is, recruiters must often read a reference for what it leaves out as much as what it says. If the judgment leads to more anodyne references it could further deprive recruiters of one of their most important sources of information about job applicants.

"If you are looking to make a selection decision, the best predictor you can get of the likely success of a candidate is how they performed in their previous jobs," says Armstrong.

"It is better than the interview, the psychometric test and all the other devices."

The broader recruitment industry could learn something from the practices of headhunters. If they do their job properly, they will make several checks on a candidate among peers and colleagues at previous places of employment.

The process is all very discreet, often over the telephone or in person and an experienced selector should be able to sift out sufficient useful pointers.

LEGAL NOTICES

THE BIRLA INVESTMENT BANK & HOLDING COMPANY
(A Trust "Company" Bank Association)
193-B Kingston Road
Parsippany, New Jersey 07054

Owner Georr Malaviga Birla and the Birla Investment Bank & Holding Company, principal resident of owner, 193-B Kingston Road, Parsippany, NJ gives legal notice that the following property The UJB Financial Corporation, 301 Carnegie Street, P.O. Box 2066, Princeton, New Jersey 08543-2066, T. Joseph Semrod, Chairman & Chief Executive Officer (a Bank Holding Company) State of New Jersey and Pennsylvania and having control of 25% or more, or majority of any class of voting securities, and corporate assets valued at $14.2 billion dollars, and in accordance with laws and procedures, pursuant to Federal Reserve System & The Federal Reserve Bank of New York, District #2 found at 12 CFR 262.3 (b)(1)(i)(iv)(v)(vi); 12 CFR 225.11 (a)(b)(c)(d)(e) governing Transactions Requiring Board (Board of Governors - FRB) Approval: 12 CFR 41 (a)(b)(c) governing Change in Bank Control; 12 CFR 225.43 (a)(1)(2)(3) governing Procedures for Filing, Processing & Acting on Notices; 12 CFR 225.52 (a)(1)(3)(5)(6) governing Limitation on Overdrafts: and 12 CFR 225.52 (c)(1)(2), (d)(1)(2)(3)(4), (e)(1)(2)(3); 12 CFR 225.71(a) governing Notice of Addition or Change of Directors & Senior Executive Officer; 12 CFR 225.72(a)(2)(3), (b)(2), governing Director & Officer appointments: Prior Notice Requirement; 12 CFR 225.73(a)(1)(2), (b)(1)(2), (c), (d)(1)(2)(3), (e)(1)(i)(ii)(iii) governing Procedures for Filing, Processing & Acting on Notices, also pursuant to 12 U.S.C.S. 1817(1) Notice of Change in Bank Control; 12 U.S.C.S. 1842, on Acquisition of Bank Shares or Assets; 12 U.S.C.S. 1843, on interests in Nonbanking Organizations, with regard to 12 U.S.C.S. 1841(2)(c): 12 U.S.C.S. 1841 (5)(F) regarding proposed 25% or more investment by sole-owner Georr Malaviga Birla & The Birla Investment Bank & Holding Company for acquiring Control over UJB Financial Corporation in accordance with the limitations applicable to National banks at Section 24 of Title 12; and 12 U.S.C.S. 1841(6)(c)(1)(A), and (B)(i)(iii) 12 U.S.C.S. 1841 (6)(c)(2) (J)(i)(iii), which meets or exceeds investment requirements which insured institutions must meet to be Qualified Thrift Lenders; and 12 U.S.C.S. 1841(6)(C)(3)(j)(3), in accordance with rule deemed by Director of the Office of Thrift Supervision (OTS): and 12 U.S.C.S. 1841 (6)(C)(3)(K), and 12 U.S.C.S. 1841 (6)(C)(M)(2) about interim savings bank(s) that is established to facilitate a company preorganization, or the formation of a Bank Holding Company, where Birla Mutual Savings & Holding Company, as a savings bank type described pursuant to 12 U.S.C.S. 1841(6)(C)(3)(M)(1). The following Sixteen Acts of Congress apply to this proposed Legal Notice of Acquisition of UJB Financial Corporation by Birla Investment Bank & Holding Company: The Export Services Act; The Bank Holding Company Act of 1970; The Change in Bank Control Act of 1978; The Competitive Equality Banking Act of 1987; The Competitive Equality Amendment Act of 1987; The Consumer Checking Account Equity Act of 1980; Deposit Insurance Flexibility Act; Depository Institutes [illegible]

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re	:	Chapter 11
TOWERS FINANCIAL CORPORATION, et al.,	:	Case No. 93 B 41558 (PBA) Hearing Date September 13, 1994
Debtors.	:	Time 2:30 p.m.

NOTICE OF HEARING ON DISCLOSURE STATEMENT

TO ALL HOLDERS OF CLAIMS AGAINST AND INTERESTS IN THE ABOVE-CAPTIONED DEBTORS:

PLEASE TAKE NOTICE that on June 30, 1994, the Official Committee of Unsecured Creditors (the "Committee") of Towers Financial Corporation, et al. (the "Debtors"), by its counsel, Winthrop, Stimson, Putnam & Roberts, filed its Disclosure Statement dated June 30, 1994 (as it may from time to time be amended, modified and supplemented, the "Disclosure Statement") with respect to its Plan of Reorganization (the "Plan").

PLEASE TAKE FURTHER NOTICE that a hearing (the "Disclosure Statement Hearing") will be held before the Honorable Prudence Beatty Abram, United States Bankruptcy Judge, at the United States Bankruptcy Court, United States Customs House, One Bowling Green, New York, New York in Room 617, on September 13, 1994 at 2:30 p.m., or as soon thereafter as counsel can be heard, to consider the entry of an order, among other things:

(a) finding that the information contained in the Disclosure Statement is "adequate information" as such term is defined in section 1125 of the Bankruptcy Code;
(b) approving the Disclosure Statement;
(c) authorizing the Committee, pursuant to section 1125(b) of the Bankruptcy Code, to transmit copies of the Disclosure Statement, the Plan and related solicitation documents (together, the "Solicitation Materials") to all known holders of impaired claims against and interests in the Debtors, and to solicit acceptances of the Plan by the holders of such impaired claims and interests entitled to vote on the Plan;
(d) granting such other and further relief as the Court may deem just and proper.

PLEASE TAKE FURTHER NOTICE that the Disclosure Statement, the Plan and the forms of Ballots are on file with the Clerk of the Bankruptcy Court (the "Clerk") and may be examined by interested parties at the office of the Clerk at the United States Bankruptcy Court, United States Customs House, One Bowling Green, New York, New York during regular business hours and copies may be obtained upon written request from Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, New York 10004, Attn: Stacey E. Nadell, Esq. Upon written request to Winthrop, Stimson, Putnam & Roberts at the aforementioned address, the Committee will provide any and all future amendments to the Disclosure Statement and the Plan.

PLEASE TAKE FURTHER NOTICE that all responses and objections, if any, to the approval of the Disclosure Statement or any of the other relief sought by the Committee must be in writing and stated with particularity and the objection MUST include, where appropriate, suggested language to amend the Disclosure Statement in a manner that would resolve the objection and be filed with the Clerk of the Court on or before 5:00 p.m. on the date which is one week before the Disclosure Statement Hearing and served in a manner so as to be received on or before that time by (i) the Chambers of Bankruptcy Judge Prudence Beatty Abram (courtesy copy), United States Bankruptcy Court, United States Customs House, One Bowling Green, New York, New York 10004; (ii) the Office of the United States Trustee, 80 Broad Street, Third Floor, New York, New York 10004, Attn: Brian Masumoto, Esq.; (iii) Fried, Frank, Harris, Shriver & Jacobson, One New York Plaza, New York, New York 10004, Attn: Terrence A. Corrigan, Esq.; (iv) Winthrop, Stimson, Putnam & Roberts, One Battery Park Plaza, New York, New York 10004, Attn: Richard L. Epling, Esq.; (v) United States Securities and Exchange Commission, 7 World Trade Center, 13th Floor New York, New York 10048-1102, Attn: Dorothy Heyl, Esq.; (vi) Schulte, Roth & Zabel, 900 3rd Avenue, New York, New York 10022, Attn: Mark A. Neporent, Esq.; and (vii) Clark Klein & Beaumont, 1600 First Federal Building, Detroit, Michigan 48226-1962, Attn: Michael S. Khoury, Esq.

PLEASE TAKE FURTHER NOTICE THAT IF ANY OBJECTION TO THE DISCLOSURE STATEMENT OR ANY OF THE OTHER RELIEF SOUGHT BY THE COMMITTEE IS NOT FILED AND SERVED STRICTLY AS PRESCRIBED HEREIN, THE OBJECTING PARTY WILL BE BARRED FROM OBJECTING AND WILL NOT BE HEARD AT THE HEARING.

PLEASE TAKE FURTHER NOTICE that upon approval of the Disclosure Statement by the Bankruptcy Court, known holders of impaired claims against and interests in the Debtors will receive a copy of the Disclosure Statement, the Plan, and various documents related thereto.

PLEASE TAKE FURTHER NOTICE that the Hearing may be adjourned from time to time without further notice to creditors or parties in interest other than by an announcement in the Bankruptcy Court of such adjournment on the date scheduled for the Hearing.

Dated: New York, New York
July 12, 1994

BY ORDER OF THE BANKRUPTCY COURT
HONORABLE PRUDENCE BEATTY ABRAM
United States Bankruptcy Judge
United States Bankruptcy Court
One Bowling Green
New York, New York 10004

WINTHROP, STIMSON, PUTNAM & ROBERTS
Attorneys for the Official Committee of Unsecured Creditors of Towers Financial Corporation, et al.
Attn: Richard L. Epling, Esq.

STATUTORY DEMAND
(Debt for liquidated sum payable immediately following a Judgment or Order of the Court)

To: RONALD FUHRER
Of: FLAT 1, 8 HYDE PARK GARDENS, LONDON W2 2LT

TAKE NOTICE that a Statutory Demand has been issued by:
Name of Creditor: ROYAL BANK OF CANADA (JERSEY) LIMITED
Address: PO BOX 194, 19-21 BROAD STREET, ST HELIER, JERSEY JE4 8RR, CHANNEL ISLANDS

The creditor demands payment of £4,068,307.72 the amount now due on a Judgment of the High Court of Justice, Chancery Division dated the 7th day of June 1994.

The Statutory Demand is an important document and it is deemed to have been served on you on the date of the first appearance of this advertisement. You must deal with this demand within 21 days of the service upon you or you could be made bankrupt and your property and goods taken away from you. If you are in any doubt as to your position, you should seek advice immediately from a solicitor or your nearest Citizen's Advice Bureau.

The Statutory Demand can be obtained or is available for inspection and collection from:

Name: WILDE SAPTE
Address: 1 FLEET PLACE, LONDON EC4M 7WS
Solicitor for the creditor: JOHN P HARVEY
Tel: 071 246 7000 Ref: JPH/2081-80

You have only 21 days from the date of the first appearance of this advertisement before the creditor may present a bankruptcy petition.

PERSONAL

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FINANCIAL TIMES
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BUSINESS AND THE ENVIRONMENT

Spain is hosting an electricity project that could give new life to an old energy source, writes **Michael Smith**

Coal cleans up its act for a power struggle

It is far too late for the hundreds of thousands of coal mining jobs lost in Europe during the last decade, but for those still with jobs in the industry, a 335MW electricity project in the centre of Spain provides some hope for the future.

Coal is falling from fashion – and production is down – in most European countries as concerns grow about the effects on the environment of the sulphur dioxide, nitrogen oxide and carbon dioxide it emits when burned.

Some power generators such as those in the UK are turning to gas as an alternative fuel source for power generation and others will follow their lead as international pollution standards are tightened. But that may provide a relatively short-term solution.

Whereas there are plentiful supplies of coal worldwide, there is less certainty about gas, as its price is likely to rise. In any case, some countries have limited access to gas. With the building of nuclear plants politically difficult they want to maximise the possibilities for coal.

Coal is falling from fashion – and production is down – in virtually all European countries

Clean coal technologies such as those used in the Elcogas project at Puertollano, 200 km south of Madrid, is one way of doing this.

Elcogas is a joint venture between 11 European power and engineering companies – Endesa of Spain and four other Spanish power groups (53 per cent of the equity), Electricité de France (29 per cent), Electricidade de Portugal (4 per cent), Enel of Italy (4 per cent), National Power of the UK (4 per cent) and technology suppliers Babcock Wilcox Siemens and Krupp Koppers – to build what they say is the world's largest and most advanced clean coal power generation project.

It will use a technology known as Integrated Gasification Combined Cycle. Under this, coal is pulverised to a fine powder and then passed into a pressure vessel where it reacts with oxygen to produce carbon monoxide and hydrogen.

Unwanted components are washed out of the gas which is then used to generate electricity in a combined cycle turbine of the type behind the growth of gas in power generation in recent years.

The technology enables coal of any quality to be used for electricity generation at efficiencies of about 45 per cent, compared with about 40 per cent at an existing large coal-fired power station. In addition it will remove 99 per cent of the coal's sulphur and refine it to a high level of purity so that it can be sold for use in the chemical industry.

According to the project participants, it produces only a quarter of the emissions of oxides of nitrogen and 15 per cent of the dust emissions of a conventional UK coal-fired plant fitted with dust control burners.

The companies recently signed the financial deal that will secure the development of the £450m plant; construction is already under way. The plant will start operating in 1996, fuelled initially by natural gas but by coal in the following year.

IGCC is more expensive than most other technologies, which means it is a long way from being commercially attractive in markets such as the UK which have moved a considerable way down the competition road.

National Power says that taking into account both capital and fuel costs, a unit of power could be produced from an IGCC plant in the UK at 5.2p.

That compares with 4p for a unit from a new coal-fired plant filled with emmission control equipment and 2.7p from a combined cycle gas turbine plant of the type the company operates in the UK.

But from National Power's and other participants' point of view, the beauty of Elcogas is that it is extremely unlikely to lose them money.

One reason is that the project has received a subsidy of about £50m from the European Union's Thermie fund to promote clean combustion technologies for coal and other solid fuels.

But the main bonus of Elcogas is that the Spanish electricity system, encouraged by a government keen to find a use for Spanish coal, guarantees a financial return for the project, provided it produces the expected amount of electricity.

There is little to suggest that production expectations will not be met since the IGCC technology has been successfully tested at other, if smaller, plants run by the petroleum industry. Shell has been at the forefront of IGCC technology and it is showing its confidence in it by building a large plant in the Netherlands.

Carlos Lopez-Cacicedo, National Power's director of research and engineering, said his company had considered a number of clean coal technology schemes but that none had provided Elcogas's combination of low risk and advanced technology.

It could be coal's way back into the power generation market in the early part of the next century

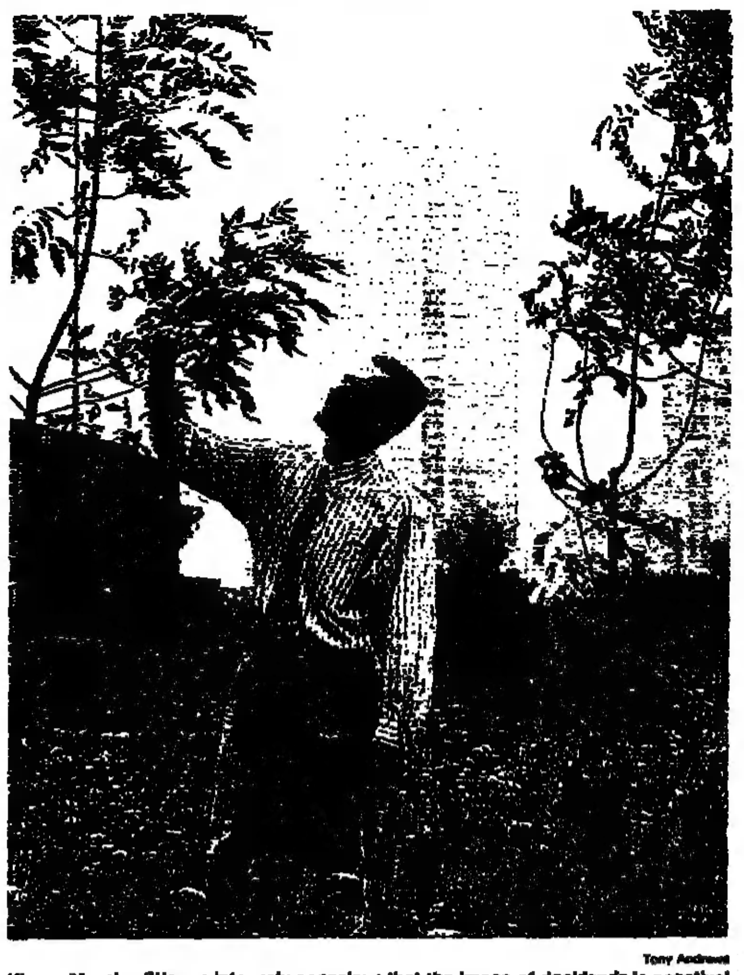
"This is the best technology which exists and we can be confident of getting a return on our investment, even if it is modest," he said.

Lopez-Cacicedo said it was unlikely that IGCC could become fully competitive in the short term but tightening environmental controls and pressure on gas prices beyond the turn of the century could change this position.

"It could just be coal's way back into the power generation market in the early part of the next century."

Back to nature

Ecologists are slowly transforming the bleak face of London's docklands, says **Jane Martinson**



Tony Andrews

Kieron Murphy: 'We are intensely conscious that the image of docklands is negative'

Visitors to London's docklands marvel at the enormity of the Canary Wharf building, at the driverless trains in their toytown colours and at the futuristic shapes of the office buildings. They rarely admire the lapwings or the little ringed plovers or remark on the plant life.

As for the 55,600 people who work in London's docklands, their chief link with nature is likely to be the plants in their offices.

The London Docklands Development Corporation, the government-appointed quango which has been running 22sq kms of land east of the Tower of London since 1981, wants to change that by establishing ecological projects in the area.

Last summer, it commissioned a wildlife survey of docklands by members of the Trust for Urban Ecology. They concentrated their efforts on the Limmo peninsula of the River Lea, east of the Isle of Dogs. The peninsula is split in half by the Beckton extension of the Docklands Light Railway.

The survey found birds such as cormorants, lapwings, little ringed plovers, shags and grebes. In the 12 acres of former railway sidings on the peninsula and the East India basin nearby, it recorded 140 plant species, including some from as far afield as South America and Indonesia.

Bishop's weed, silky bent, Austrian camomile and Sumatran fleabane were found growing beside the belching traffic on the main road. The rare seeds are thought to have been the offshoot of cargo deliveries of old.

Since then, walkways and a footbridge have been built to link Bow Creek with the proposed Canning Town interchange and the residential areas separated by one of the busiest roads in London. The money came partly from £3m devoted to environmental improvements along the DLR extension which opened earlier this year.

The LDDC is expected to agree a further £1.5m for the ecology park this summer. Designs for an ambitious environmentally-friendly nature centre will require further funding this year.

Much of the impetus for the work, says the corporation, has come from the completion of large-scale infrastructure projects such as the Limehouse Link road, completed last year, and the DLR extension. With such work completed, time could be devoted to environmental enhancement.

LDDC spokesman John Williams says: "We have been concentrating on putting in the infrastructure over the last four or five years. Now it is in place, the time is right to make it as environmentally friendly and attractive as possible."

The corporation is sensitive to suggestions that part of the impetus for environmental improvements has come from the mistakes of the rapid development of the Isle of Dogs where, for example, workers now have the option of watching bird rafts on Millwall Docks.

It points out that it has sponsored two ecological sites in Surrey Docks on the south side of the River Thames since the early 1980s and it has spent £95m on environmental improvements in the past 13 years. In the last few years, this has mainly been spent on landscaping work on roads and the DLR.

A lot of work has been spent on "greening" the corridor of development going out to Beckton and easing the fears of local residents – efforts which the corporation has been criticised for lacking in the past. Much work has also been put into reclaiming the site of an old British Gas works contaminated with methane.

The emphasis is on a living and working environment with educational and recreational needs coming high up on the corporation's agenda, says Williams. "The corporation is a regeneration authority whose primary focus is to build buildings using former derelict land. But, having said that, we are quite aware that we can't just go on building buildings ad infinitum and that there has to be a balance to create a desirable living and working environment."

Kieron Murphy, the manager in charge of the ecological projects, says: "We are intensely conscious that the image of docklands in the public mind is of Canary Wharf or negative images. It is not associated with ecological projects and we want to do something about that."

Eric Sorensen, the corporation's chief executive, is well aware of the commercial benefits of such projects. "Environmental improvement like this is good business sense. We know from discussions with businesses that the quality of the local environment where people work and live is of great value. If you are in the business of attracting business, then these features are doing a very positive good.

"Our aim is to bring the East End into line with the mainstream commercial world by demonstrating that it's not an area of environmental hostility but a very good one in terms of access to water and that it's a very pleasant place to be in terms of flora and fauna. All these things are very important to us."

Although the cost of environmental improvements has been borne by the corporation so far, the aim is to involve local businesses as much as possible.

Texaco, the US energy group which moved its UK headquarters and 1,000 staff from west London to the Isle of Dogs last year, is sponsoring the bird raft project as part of its educational policy.

This business involvement will be of increasing importance when the corporation pulls out of docklands in 1998. Faced with its own demise, there is a natural desire to leave a more diverse legacy than the half-empty Canary Wharf and the DLR. The corporation says the onus in the last few years will fall on attracting partnerships to continue its work and to create long-term benefits for local residents as well as those who work in the area. To this end, it is also working closely with local authorities.

Murphy, walking around the saplings of the peninsula, is full of plans for creating marshlands and drylands and woodland areas and fishing.

"We have so much planned for this area but until it is more ready we will not be able to go, cap in hand, and ask for support. When we can, we will go out and be able to say 'Look, this is what you can support: wildlife in docklands'."

PEOPLE

Poole quits policy unit for Sturge chairmanship

Lord Poole, 49, a City corporate financier who had been seconded to the prime minister's Downing Street policy unit, has been appointed group chief executive of Sturge Holdings, one of the biggest managers of Lloyd's underwriting agencies.

David Poole, who inherited his title last year on the death of his father, Oliver Poole, comes from a family whose City roots go back many generations through the family firm of Thomas Stephens Poole, Lloyd's brokers. The first Lord Poole was a well-known City figure and a leading light in the Conservative party. He was a former chairman of the Conservatives, Lazard Brothers and the Financial Times.

Poole's appointment is part of a management reshuffle caused by the planned retirement of David Coleridge, 62, a former chairman of Lloyd's, who has headed Sturge since 1978, and been with the firm for 37 years. Coleridge plans to retire as chairman after next year's annual meeting in February and the board is currently seeking a successor.

Sturge has never had a chief executive before and Coleridge said yesterday that he thought it was a mistake to "hang around as a non-executive chairman" when a new man had been brought in.

As one of the biggest underwriting agents at Lloyd's Sturge has been hard hit by the problems of the London insurance market and its profits have collapsed from £31.5m in 1990 to £1.2m last year.

However, Coleridge is optimistic that the new management could return the firm to its old levels of profitability provided that the insurance market continues to recover.

Poole, who was educated at Gordonstoun, Oxford and Insead, has worked at a variety of City firms ranging from Samuel Montagu and Bland Payne to Capel-Cure Myers and James Capel where he had been head of corporate finance. He starts his new job on September 1.

Norman McLuskie, a main board director of Royal Bank of Scotland, becomes the next chairman of BACS, the UK's electronic clearing system owned by banks and building societies. He succeeds Bert Morris from National Westminster Bank. McLuskie, 49, is managing director of the operations division of RBS, and a director of Direct Line Insurance and of IBOS, the cross-border banking and payment system.

John Howell, chief executive of Teesside Training and Enterprise council, is moving south to become chief executive of Solotec, the Training and Enterprise council for Bexley, Bromley, Croydon and Sutton.

Howell, 49, has been running the Middlesbrough-based TEC since April 1991. While his predecessor had been seconded from the civil service, Howell came from Singer UK, where he had been managing director.

His new post, which he takes up in October, represents a move back to his roots, for Howell went to school in this part of south London, and still has family living in the area.

Chris Hubbard, who had been Solotec's chief executive since its launch in 1991, returned to the mainstream civil service in June.

Since his departure, David Phelan, previously operations director with British Gas South Eastern, has been acting chief executive.

■ **Robert Watkins**, md of Dancall Telecom A/S, has been appointed to the AMSTRAD parent board.

■ **Roger Hawksworth** has been promoted to md of the dynamics division of BRITISH AEROSPACE Defence.

■ **Andrew John** has been promoted to commercial director of VICKERS.

■ **Philip Margrave**, formerly md of Redland Roof Tiles, has been appointed group md of Solaglas, a UK division of SAINT-GOBAIN; **Jan Rooze**, formerly Benelex marketing director of Saint-Roch, also part of Saint-Gobain, has been appointed md of Saint-Gobain Glass UK.

■ **Cathy Baxandall**, a partner with Simpson Curtis, has been appointed company secretary of SPRING RAM.

■ **Michael Biden** has been appointed director of sales and marketing and **Ian Smith** director customer service in BT's personal communications division.

■ **Richard Catt**, formerly group secretary of Securiguard Group, has been appointed group company secretary and legal adviser at SIMON ENGINEERING.

■ **Ron Shield** has been promoted to the board of AVON Tyres as business development director.

■ **Nigel Palmer** has been promoted to md and **Neil Bunker** to sales director of NRG Group, part of GESTETNER HOLDINGS.

Ocean Group seeks skipper

Nicholas Barber, 58, chief executive of Ocean Group for the last eight years, has left the transportation conglomerate and a new pilot has yet to be found. Peter Marshall, 67, Ocean's non-executive chairman has taken the helm in the interim.

Barber, who joined the company in 1964, announced in April that he planned to step down this year. He says that he had always wanted to go in his mid-fifties so that he could spend more time on his outside interests. In addition to being a non-executive director of Royal Insurance and Barings, he is a governor of London Business School and a trustee of the British Museum.

Barber took over as chief executive shortly after Ocean had defeated a £300m takeover bid from Sir Ron Brierley, the New Zealand corporate predator. During his tenure the company has been transformed from a traditional shipping company into a transport services group with interests ranging from air freight forwarding to offshore oil support services.

However, there has been some concern in the City that Ocean has not fulfilled its early promise at the time of the unwelcome takeover bid.

Profits have stagnated, dividend growth has been sluggish, and Ocean shares have underperformed by more than a third since Barber took over.

Sir Ron Brierley placed his hostile stake at 340p a share in September 1989 and less than two years later Ocean raised £88m through a rights issue at 295p a share.

However, Ocean's shares are currently trading at 258p, valuing the company at little over £400m.

Ian Laurie, Ocean's finance director, described Barber's departure as "extremely amicable" and denied that he had gone earlier than planned.

However, there has been some surprise in the City that Barber has left before his successor has been appointed.

Barber was on a three year rolling contract and will receive some sort of "golden handshake". It is understood that this will be mainly in the form of enhanced pension contributions and payment in respect of his contract is expected to be less than £100,000.

Laurie said that the search for a new chief executive was "well in hand".

■ **Eric Drewery**, ceo of Asea Brown Boveri in the UK, has also been appointed chairman of ABB Transportation Holdings in succession to **John Darby**.

■ **David Dunbar** has been appointed chairman of Darchem Engineering, a WEIR GROUP company; he moves from Brown & Root.

■ **Shaun Holliday**, formerly vice-president of Frito Lay's vending and food service business, has been appointed president of the Americas and Caribbean region of GUINNESS Brewing Worldwide.

■ **Ian Park**, md of Northcliffe Newspapers, has been appointed to the board of DAILY MAIL & GENERAL TRUST.

■ **Dennis Pushkin**, president and ceo of Dryclean USA, has been appointed to the parent board JOHNSON GROUP CLEANERS.

هكذا في الأصل

ARTS

Television/**Clement Crisp**

Some jewels among the dross

There is a theory that television schedules during high summer offer little but pap for the silly-season viewer. The past week's programmes were certainly well-stuffed with junk: *Pets win Prizes* on BBC 1, ideal for anyone with an I.Q. in single figures; the same channel's *Punt and Dennis Show*, as merry as an outbreak of dengue; the shrill *Grace under Fire* on BBC 2, which is a barrage of machine-tooled American predictabilities about the wittily named Grace Kelly. (Gosh, how do scriptwriters think of such japes?) Here was essential viewing for people anxious to know how many garments a goat can pull off a clothes-line, or whether an adenoidal divorcee will get another man – and presumably pull his clothes off, too.

But there were [illegible] for grown-ups as well. I am no believer in "the majesty of human suffering". De Vigny's phrase rings inordinately hollow as, daily, television shows us the self-inflicted wounds of the Rwandan people, and the reign of cholera over the dispossessed and terrified. And yet, there is a massive dignity to fighting men who have suffered through battle and the privations of prison camp, and this was the sustaining thread of *The Valour and the Horror*, a two-hour Canadian documentary shown on Sunday on Channel 4 about a war-time incident too little known.

In 1941, two thousand Canadian soldiers, young and unprepared, were sent to Hong Kong to help defend the colony against Japanese invasion. Churchill had privately declared Hong Kong impossible to save. Nevertheless, Canadian (and Indian) troops were despatched to bolster the British forces. Their sufferings after surrender – massacred in hospital beds, maltreated in prison camp, used as slave labour in Japan – were the immediate matter of the programme. Underlying this were graver questions about government decisions (British as well as Canadian) and the rightness of the expedition. Archive footage, dramatisation of soldiers' letters and diaries (well done, though the fine young actors looked too healthy, too glossy), and the presence of two survivors were the means of an horrific narrative.

With immense dignity the two survivors, Sergeant Manchester and Sergeant Clayton recounted their experiences, from beatings to beri-beri. Confronted with Japanese participants in the same battle and a witness of their Tokyo slavery, they showed astonishing self-control. It broke only at the end as they stood by the graves of their comrades (early on, Sergeant Clayton had said that other people "look at stones. We look at people"). Tears, at last, from them. Tears, surely, from those who watched. But, and here was the programme's barb, no compensation, no reparations even now for the survivors' sufferings.

Two further programmes are scheduled.

Tears from me, unashamedly, watching Jane Horrocks in *Suffer the Little Children* which will be transmitted tonight in BBC2's *Stages* series. (You can view it as the [illegible] antidote to *Grace under Fire* which precedes it.) Jack Emery's monologue lasts nearly 40 minutes, and every minute counts as Miss Horrocks plays Deborah, a young mother whose first baby, Daniel, is born suffering from spinal muscular atrophy. (I infer that the story is based on fact.) Deborah's prodigious devotion keeps the child alive for a short time. A second son, Michael, is then born deformed. Once again Deborah devotes herself to trying to save him, despite medical advice that the child's life can be nothing but torment to him. Her love, and the tremulous joy she finds in his personality, are eventually worn away by his ceaseless physical anguish. Driven far beyond despair, she kills him and then attempts suicide. The monologue is her account – detailed, reasonable, yet always on the brink of an abyss of pain – of the child's sufferings and her own fight for its life, in a police interview room.

It is undeniably harrowing. It is also, [illegible] Miss [illegible] exquisite skill and tact as an actress, undeniably beautiful. With nothing forced and nothing faked, Miss Horrocks tells us everything about Deborah's bravery, her persistence, her exhaustion of body and spirit. She shows us Deborah plain. It is a thrilling, heart-tearing performance, astonishing in its physical precision – the ball of handkerchief scrubbing at tears – as in its shape, leading to one true and terrible crescendo when she describes her suicide attempt. Jack Emery's script is admirable. So is the direction by Betsan Morris-Evans, sensitively judged in pace and manner. Not to be missed.

I am no believer in the 'majesty of human suffering', yet there is a massive dignity in those who have endured physical and emotional pain

Something I think would not be missed was the return of Channel 4's dance series, [illegible] *Camera, Action!*, that bran-tub of post-modern romping. (An alternative title might be *Unlucky Dip*.) In the first programme, on Friday, we were offered a trio of films that should make all but the most perfervid fan switch over to a re-run of *Porridge*. We had dance as assault and battery; dance as non-dance; dance as feminist self-indulgence. We saw a slam-bang duet by Edouard Lock, shot in black and white, the girl boasting [illegible] worthy of a wing three-quarter, and needing them to support her chap, swinging from her as from a trapeze. There followed an inept silent-movie adventure from France, for a señorita, a matador and a caliph, with – it being French post-modernism – not a step or a moment of sense in sight. Finally, a document about ten mothers and daughters – none with perceptible dance training – who behaved with consummate archness, cuddling and dragging each other about. (Miss Horrocks' performance should show them the error of their ways.)

Of such fatuities is the world of television dance nowadays. I recall that a decade ago BBC TV could stage two prodigious Dance Months, crammed with magnificent performance, and that at the same time Channel 4 provided a grand season featuring the work of ten major modern dance creators. There is, despite the current fashion for the vain and off-putting tosh we saw in *Tights, Camera, Action*, much good new dance. And with Channel 4 providing superb relays from Glyndebourne (last week's *Onegin* surely one of the finest of opera transmissions), dance-lovers can feel distinctly under-nourished. Instead of stimulating a dance public, such programmes are warnings about thinnest artistic ice.

Since I think all dogs are revolting, the QED programme *Revolting Dogs* (Thursday BBC 1) won my immediate sympathy. Here was a selection of those [illegible] creatures (I divide dogs into two species: Yappers and Crappers), whose behaviour – seven years' incessant barking; possessive mania worthy of a pasha – had brought owners to their emotional knees. A nasty-looking Alsatian and something else, over-furred and over-fanged like a Hollywood actress, were taken to *Canine [illegible] Counsellors* (a.k.a. Doggie Shrinks) and guided, after years of terrorising all and sundry, into calmer ways.

Unashamed tears: Jane Horrocks gives a heart-rending performance in 'Suffer the Little Children'

An intriguing contrast in dealing with these four-footed maniacs came on BBC 2 the next night when, in [illegible] *Moore's TV Nation*, such horrors in America were simply hopped up on Prozac. So Willy, a log-fixated bull-pup, was cured, as was Ruby, a grey parrot much given to tearing out her feathers. Stuffed with Prozac "she seems more silly and more relaxed" – and of whom, under similar circumstances, would one not say the same? Maybe they should try it on [illegible] *Camera, Action*.

■ *Christopher Dunkley is on holiday*

Entrepreneurs with a difference: **Martin Hoyle** reviews a musical based on an Arnold Bennett hero and a play about deep-freezing bodies for profit

The Card

The hero of Arnold Bennett's *The Card* epitomises the entrepreneurial spirit with a human face. Denry Machin's charm, chutzpah and cheerfulness enable him to soar from washerwoman's son to mayor in a series of audacious bounds that include the highly dubious "Universal Thrift Club": a way of inveigling the poor into buying goods on lashings of credit. Acclaim for this philanthropic initiative bespeaks a touching innocence long dead.

At the Open Air Theatre, Regent's Park, a musical version of Bennett's novel takes the stage. Book by Keith Waterhouse and Willis Hall, songs by Tony Hatch and Jackie Trent, the show originally reached the West End in [illegible] before entrepreneurial virtues were in fashion. It returns, revised, with additional lyrics by Anthony Drewe, just as entrepreneurial values are being discredited. It lacks its protagonist's sense of timing. Whether it shares his resilience remains to be seen.

Tim Goodchild's set gives us rows of terraced-cottage front doors dominated by the Victorian pomp of the town hall clock tower, a fit background for young Denry's ambition never to work "in clay" ("pottery's for mugs... crockery's not my cup of tea"). The stage is banked by a collage of plates, dishes and tea-pots, a reminder of what the prosperity of Bennett's Five Towns was literally built on.

Doors swivel to reveal the office where junior clerk Denry purloins a socially advantageous invitation to the municipal ball, the terpsichorean academy where he meets the gold-digging dancing teacher, and the stately home of the Countess of Chell. The attitude to this aristo is intriguingly feudal for an industrial society: the local do-gooder, she is respected, revered and credited with the sort of glamour we used to attribute to royalty. The musical makes it plain what a good egg she is with a sad little song of frustration which Hayley Mills delivers rather touchingly in well-bred, slightly flat *sprechgesang*.

Interestingly, the best songs are those of aspiration or yearning. Ruth, the calculating dancing-mistress, is given the first of several songs ("Another time, another place") where characters long for something better. This is in keeping with the optimism permeating a story of get-up-and-go, but the general impression is formulaic. One can see the ingredients being ticked off: romantic ballad, self-doubting but heroically determined soliloquy, rollicking company number. The song explaining the function of the Thrift Club seems a distant descendant of "Pass it along" from Bernstein's *Candide*, but opts for bland jollity without any bite.

The same might be said of the whole show. For all the enthusiasm of Ian Talbot's production, a terrible sameness sets in after 20 minutes or so. The peaks are not high enough, as witness the big laudatory number halfway through the second act, "The Card" – one of those ensembles of glorification like "Hello Dolly" or "Mame" which should sweep us unresistingly into believing in a star. Here the sentiments seem on auto-pilot.

The present cast carry it off, however, because Denry is played by Peter Duncan who beamingly capers, cavorts and connives his ingratiating way through the piece, even prompting applause for backing a car through a narrow opening while singing. He carries the evening since John Turner's bluff councillor has only a stereotype to work with, Jessica Martin is unable to blend gold-digging with romantic longings and ends up as not very convincing at either, and [illegible] Russell, as the down-to-earth local girl who finally wins Denry, is conceived in terms of cliché. Even the dour figure of Denry's mother, marching across the stage from time to time with a deflationary comment on her son, gives little for Jane Lowe to get her teeth into.

Peter Duncan, centre, exuding chutzpah in the Arnold Bennett adaptation — Alastair Muir

The Life of The World to Come

On August 2 1894, as FT readers may already be aware, death duties were introduced in Britain. It would be nice to think that Rod Williams' *The Life of the World to Come* at the Almeida Theatre was part of a celebration of this centenary. But it seems more likely to be a lucky chance, part of the general hit and miss of a not very cohesive play.

It begins promisingly enough, with an [illegible] discussing tax loopholes with his client. It gradually becomes clear that [illegible] projected investments over, say, 100 years (we are talking over $9bn by the end) and the avoidance of death duties are postulated on the client not dying but going into "temporary suspension of vital processes". This is the world of cryonics; of deep-freezing a punter until a cure for his ailments, or simply ageing, is found; then attaching the severed head to an ideal body, putting blood back into the cadaver, and waking him to an eternal youth, a few fiscal nest eggs and a possible case of frostbite. This is the world where being a pensioner leads to being a "suspensioner... Not dead, merely *incapax*... A win-win situation... simply no down side."

What sounds like one of the wilder satirical flights from *Brave New World* is currently taken very seriously in America and is, inevitably, making big money. The scene looks set for a swingeing attack on the barmier fads of our day at the very least, even though the scene is tentatively played with flat reticence, as if by actors more used to performing to mike or camera than projecting in a theatre.

Unfortunately the play swerves between farce and sitcom, satire and moral exploration. Nearly four years in the writing, the piece simply fails to hang together. A plot is less important than the style, a deadpan look at the contrast between the kitsch solemnity surrounding death (or pseudo-death) and the cynical realities of business: territory familiar from *The Loved One* and *The American Way of Death*. The cynical realities of science, too, where the suspensioners are experimented on by the brilliant Makoto in his quest to "thaw out the stiffs", only to be incinerated when he fails to revivify them.

Derek Wax, who directed the powerfully claustrophobic *No Remission* for the same author (and group, Midnight Theatre Company), lacks the incisiveness to impose shape on the generally garbled goings on. Act 1 ends with the revelation that the cryonics firm's smoothy director sees his work as "consecrated euthanasia" where "we give our patients death, club class", and has no intention of resuscitating the clients. In Act 2 the plot gets going in earnest when Makoto succeeds in resurrecting the company's late president, an improbably young man who combines a *Baywatch* build with the business hustle that made the American Dream and, even more improbably, a conscience.

For this medical breakthrough (announced by the naked patient racing around the stage pursued by amazed doctors) triggers off general horror all round. The last thing share-holders want is the status quo to be disturbed; but idealist young Steve is shocked at [illegible] being [illegible]. Here the play shows signs of confusing rewrites. For a president, [illegible] seems to [illegible] nothing of the company he presides over. The lovely Marilyn Shriver (employed to bring an element of spirituality to her position of "closure therapist") treats him as a stranger even though she has been admiring his "suspended" [illegible] body, on display in a showcase as an inspiration to aspiring patients. Illogicalities and inconsistencies abound, not least when she tearfully talks Steve back into his living death – from which, we know, his [illegible] will make sure he never returns.

The satire never quite takes shape, and we are left with jokes about jargon ("Don't go quichey on me," snarls the villainous businessman to a colleague afflicted with scruples) and two good performances. Simon Burke's Steve has evidently had his shrewd head attached to a pretty good body which he unabashedly displays; and the excellent Dearbhla Molloy, rather wasted, almost makes a living human being out of blonde comforter Marilyn. For the rest, the patients are not the only ones in suspended animation on stage.

INTERNATIONAL ARTS GUIDE

FESTIVALS

■ BAYREUTH

This year's new production is Der Ring des Nibelungen, staged by Alfred Kircher, designed by Rosalie and conducted by James Levine. The cast is headed by John Tomlinson, Deborah Polaski, Wolfgang Schmidt, Tina Kiberg, Poul Elming, Ekkehard Wlaschiha and Eric Halfvarson. Giuseppe Sinopoli is the new Parsifal conductor, with a cast headed by Elming, Hans [illegible], Bernd Weikl and Uta Priew. Last year's production of Tristan und Isolde, conducted by Daniel Barenboim and staged by Heiner Müller, is revived with the same two singers in the name-parts - Siegfried Jerusalem and Waltraud Meier. The other revival is Dieter Dorn's 1990 production of Der fliegende Holländer conducted by Peter Schneider. The only way to get hold of tickets now is on the black market. The festival runs till August 28 (0921-20221)

■ BREGENZ

The opera festival on the Austrian corner of Lake Constance has won an enviable reputation for artistic boldness, while preserving its appeal for tourist audiences. David Pountney's spectacular 1993 production of Nabucco is revived on the lakeside floating stage - counterbalanced at the nearby indoor theatre by a rare staging of Zandonai's Francesca da Rimini. The festival runs till Aug 26 (05574-4920 224)

■ INNSBRUCK

The Innsbruck baroque and early music festival runs from August 14 to 27. There are two opera productions in the Landestheater: Telemann's Orpheus conducted by René Jacobs, with a cast headed by Janet Williams, Carola Höhn and Jörg Hering; and Biber's Arminio, with a cast headed by Gregory Reinhart and Lorna Anderson. The concert programme, given in historic buildings in Innsbruck and the surrounding region, features the Tallis Scholars and the Freiburg Baroque Orchestra (0512-571032)

■ KYBURGIADE

Now in its third year, this chamber music festival owes its unique atmosphere to the open-air setting of Kyburg Castle near the Swiss town of Winterthur, and to the participation of one of Europe's leading young string quartets, the Carmina Quartet. This year's programmes focus on Bach, Mozart and Vivaldi. The opening concert tomorrow is given by I Musici di Roma. Other artists include London Baroque, the Hagen Quartet and pianist Paul Guida. The festival runs till Aug 10 (01-251 4044)

■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Anthéron, equidistant from Marseille and Avignon, provide a serene Provençal setting for a piano festival of increasing international renown. Guest artists at the festival include François-René Duchable, Aldo Ciccolini, Nelson Freire, Elisso Virsaladze, Jean-Bernard Pommier, Elisabeth Leonskaja, Stephen Hough and Deszö Ranki, who gives the final recital on August 21 (4250 5115)

■ OSLO

Founded by Norwegian violinist Arve Tellefsen in 1989, the Oslo Chamber Music Festival has quickly won a reputation for conviviality and musical quality. Concerts take place in churches, castles and concert halls around Oslo, with each year's programme focusing on a different country. This year (Aug 5-13) is Britain's turn, with music ranging from Byrd and Brodge to David Matthews and Oliver Knussen. The Nash and Hilliard Ensembles are taking part, while Truls Mork plays the Elgar Cello Concerto and Yuri Bashmet gives a viola recital (2255 2553)

■ RHEINSBERG

The chamber opera festival founded by German composer Siegfried Matthus in the idyllic surroundings of Rheinsberg Castle, 90km north of Berlin, is now in its fourth year. The formula is simple: bring together an international group of promising young singers for a month of rehearsals and workshops with experienced performers, against a backdrop of castle, lake and park; then show the results in two opera productions. This year's programme consists of Carl Heinrich Graun's Montezuma, staged by John Dew (tonight, Fri and Sat), and a double-bill pairing Schoeck's Vom Fischer un syner Fru with Ibert's Angelique (August 12, 13, 17, 18, 19 and 20). Tickets can be bought at Rheinsberg or from Theatershop Ticket System in Berlin (030-463 1046)

■ SALZBURG

■ This year's flagship opera production is Don Giovanni, staged by Patrice Chéreau and conducted by Daniel Barenboim, with a cast headed by Ferruccio Furlanetto, Bryn Terfel, Catherine Malfitano and Cecilia Bartoli. There are also two Mozart productions by Karl-Ernst and Ursel Herrmann - Ombra Felice (a collection of arias, scenas and ensembles conducted by Heinz Holliger), and La clemenza di Tito with a cast headed by Chris Merritt and Ann Murray. The opera programme otherwise has a Russian emphasis, with three Stravinsky stagings and a revival of the Claudio Abbado/Herbert Wernicke production of Boris Godunov, with Samuel Ramey in the title role.
● In the [illegible] hall, N[illegible] Harnoncourt conducts the Chamber Orchestra of Europe in two cycles of Beethoven symphonies at the Mozarteum. The Vienna [illegible] at the Grosses Festspielhaus are conducted by Muti, Haitink, Solti, Jansons and Boulez. The recital programme includes Jessye Norman (Aug 1), Thomas Hampson (Aug 5), Yevgeny Kissin (Aug 10), Daniel Barenboim (Aug 13), Alfred Brendel (Aug 16), Anne Sophie Mutter (Aug 21), Bryn Terfel (Aug 22) and Maurizio Pollini (Aug 23).
■ The drama programme continues to gather strength. This year's new productions are Shakespeare's Antony and Cleopatra directed by Peter Stein and Pirandello's The Mountain Giants directed by Luca Ronconi. Deborah Warner revives her 1992 production of Shakespeare's Coriolanus (tel 0662-844501 fax 0662-846682)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in north Germany, in venues with a more local atmosphere than most international festivals. This year's programme places a special emphasis on Jewish music. There are visits from the Israel Philharmonic and Jerusalem Symphony Orchestras and young musicians from Israel. Jewish composers represented at the festival include Mendelssohn, Mahler and those banned during the Nazi era, such as Ullmann, Haas and Klein. There is also a retrospective of Beethoven. Yevgeny Kissin gives a Chopin recital tonight in Kiel and on Sat in Flensburg. Valery Gergiev conducts the Kirov Opera Orchestra and Chorus tonight and tomorrow in Hamburg. Gergiev also conducts a Berlioz concert on Mon at Kiel, with mezzo soloist Olga Borodina. The festival runs till August 21 (0431-567080)

■ VADSTEJNA

Vadstejna's annual opera festival takes place in the historic buildings of this charming medieval town 250 km south-west of Stockholm. The second and final production this year is The Various Adventures of Mrs Björk, a tragi-comedy by [illegible]ish composer [illegible] Mossenmark based on a novel by Jonas Cardell. This runs till August 12. There will also be an opera gala in the Vadstejna Castle courtyard on Sunday (Tickets 0143-10094 information 0143-12229)

ARTS GUIDE

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European Cable and Satellite Business TV

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NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT [illegible] 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Ian Davidson

Not the way to do it

Military intervention in civil wars is unlikely to procure peace

It is beginning to look as though the war in Bosnia will [illegible] on [illegible] a considerable while, and [illegible] is not much the outside world [illegible] do about it. The Bosnian Serbs have turned down the latest international [illegible] plan, even though it would give them a disproportionate share of the territory of Bosnia. But evidently they think they are in [illegible] position to keep, by military force, much more than they are being offered at the negotiating table; and it [illegible] unlikely [illegible] will be deterred by the threats of [illegible] outside world [illegible] tighten sanctions [illegible] Serbia.

Three [illegible] the members [illegible] Group (the US, UK, France, Germany and [illegible] apparently hoped they could [illegible] through [illegible] new peace plan, which would divide Bosnia in almost equal [illegible] the Serbs and their Moslem and [illegible]. But [illegible] quickly [illegible] when the plan [illegible] turned [illegible] by the [illegible] Serbs, and Saturday's meeting [illegible] the [illegible] Group was [illegible] pretty limp [illegible].

At American insistence, the [illegible] communiqué [illegible] half-hearted [illegible] international community might [illegible] the arms embargo on the Moslems. But everybody knows [illegible] UK, [illegible] and Russia [illegible] deeply opposed to such [illegible]; the UK [illegible] France because [illegible] would [illegible] the [illegible], [illegible] ily bringing [illegible] closer, [illegible] of [illegible] links with the Serbs.

Britain and France [illegible] the [illegible] troops from [illegible] UN force, and [illegible] abandonment [illegible] their vital humanitarian [illegible] peacekeeping [illegible]. The trouble [illegible] the credibility [illegible] UN peacekeeping [illegible] in [illegible] already [illegible] be in jeopardy.

The legitimacy [illegible] UK and French military presence [illegible] Bosnia [illegible] sharp and unexpected blow from [illegible] Boutros [illegible] Ghali, UN secretary-general, [illegible] for the [illegible] UN troops, [illegible] grounds [illegible] they [illegible] insufficient for the task. [illegible] remark [illegible] quickly followed by [illegible] Serb attack on [illegible] British UN [illegible], killing one [illegible] and [illegible] ing another; evidently the [illegible] have been encouraged [illegible] think they may [illegible] able [illegible] the UN out, so that they can [illegible] with their conquest [illegible] Bosnia without interference from the [illegible] world.

All in all, [illegible] have [illegible] long [illegible] intoxicating optimism of [illegible] fall [illegible] the [illegible] wall would lead [illegible] the establishment [illegible] a [illegible] international order. [illegible] Gulf war [illegible] like [illegible] spectacular harbinger [illegible]

TV bulletins show the need for us to help, but do not tell us what to do to stop the killing

new [illegible] ernance [illegible] the auspices [illegible] revitalised UN; [illegible] spawned [illegible] community [illegible] a "right [illegible] intervention" in [illegible] that were behaving badly. [illegible] though [illegible] UN has [illegible] expanded [illegible] peacekeeping [illegible] humanitarian [illegible] balance [illegible] between [illegible] and failure [illegible] pretty dismal, [illegible] early hopes [illegible].

[illegible] erupting on a far [illegible] than [illegible] capability [illegible] the UN and the international community [illegible] with [illegible]. There [illegible] end to [illegible] of carnage and brutality which [illegible] see daily on our TV [illegible] from Somalia, Bosnia, Cambodia, [illegible] Rwanda.

Conscience cries [illegible] to denounce [illegible] UN, or the Americans, [illegible] the European Union, or the UK government, for not putting [illegible] to the [illegible] and the [illegible]. But it is not rational to give way to the temptation to [illegible] indignant with the great powers for failing to bring in the brave [illegible] post-cold-war world. The nightly [illegible] images show us with heart-rending immediacy the irresistible need for us to help; but the TV bulletins do not tell us what to do [illegible] stop the killing.

The mere [illegible] of [illegible] doctrine of [illegible] "right [illegible] intervention" does [illegible] provide [illegible] let alone an [illegible] reliable [illegible] of stopping a civil war before the warring parties are ready [illegible] make [illegible]. There [illegible] a peaceful transfer of [illegible] in South Africa, [illegible] finally [illegible] this was [illegible] bad option; the Israelis [illegible] done [illegible] with the Palestine [illegible] Organisation, [illegible] they finally saw this was their [illegible] bad option. Outside [illegible] and persuasion may help, but [illegible].

The second hard reality is that, while television images may generate enormous emotional and moral demands that "something must [illegible] done", it [illegible] not necessarily in the interest [illegible] national government, [illegible] the international community [illegible] whole, to [illegible] it. Humanitarian aid jus[illegible] itself, and many [illegible] ments [illegible] be bounced into supplying it. But sending a military intervention [illegible] stop [illegible] violence, in [illegible] the risk [illegible] our soldiers being killed [illegible] much higher than [illegible] probability of stopping the fighting, is [illegible] entirely [illegible] thing.

Many people criticise [illegible] EU for failing to stop the war in [illegible] Yugoslavia; and [illegible] identify [illegible] precise moment [illegible] years [illegible] when they [illegible] war could probably [illegible] stopped with minimal [illegible] military force. The problem [illegible] "probably". For if minimal [illegible] had failed to bring off a quick [illegible] miracle, should governments [illegible] accepted an open-ended commitment [illegible] impose a "settlement" [illegible] unlimited [illegible] for an indeterminate period?

The question [illegible].

The heart [illegible] that only [illegible] war [illegible] make [illegible] only they can know [illegible] will make a durable peace, and even they [illegible] be deeply mistaken; and [illegible] no logical [illegible] suppose that large-scale military intervention from outside will provide [illegible] key [illegible] that peace, [illegible] that [illegible] is [illegible] to be permanent.

Waiting for the mist to clear

A crucial part of the London share trading system faces calls for reform, says Norma Cohen

Like toothpaste which cannot be returned to the tube once it has been squeezed out, London's [illegible] trading system may be irrevocably altered by inquiries begun by the City regulators.

[illegible] the past six months, [illegible] debate has been heating up [illegible] London Stock Exchange rules which give privileges [illegible] a handful of [illegible] firms in exchange for ensuring there [illegible] always a market in listed shares. Such "marketmakers" are legally obliged [illegible] buy and sell large [illegible] in turbulent markets.

In June, the Office of Fair Trading launched [illegible] inquiry into whether [illegible] practices [illegible] anti-competitive. Earlier [illegible] year, [illegible] report by the Secu[illegible] and [illegible] Board, the City's chief watchdog, questioned [illegible] the rules were [illegible]. That report [illegible] the question [illegible] whether such privileges – for instance, [illegible] right to withhold temporarily some [illegible] share prices from [illegible] – were damaging [illegible] interests.

Although Mr Andrew Large, SIB chairman, [illegible] the report was intended to [illegible] debate, rather than prompt reform, London's [illegible] ers are glum. "We are at the [illegible] where the microscope [illegible] on [illegible] strengths and weaknesses of the marketmaking system," [illegible] head of one [illegible] City's largest marketmaking firms. "The [illegible] SIB [illegible] drawn attention [illegible] for change."

The future of marketmaking [illegible] important for leading securi[illegible] because, since [illegible] "Big Bang" deregulated [illegible] City, it [illegible] become [illegible] integral part of their services. Old-style "jobbers", [illegible] only [illegible] markets, [illegible] part [illegible] firms which also [illegible] as brokers and underwriters, and [illegible] derivatives – complex instruments [illegible] in part on that [illegible] an underlying [illegible].

[illegible] the rules governing marketmaking changed, it [illegible] become a less profitable [illegible]. [illegible] it [illegible] clear whether [illegible] could easily [illegible] from marketmaking [illegible] damaging [illegible] parts of their businesses.

The [illegible] over [illegible] securities trading comes [illegible] competition [illegible] rising from Continental European bourses. London's marketmakers [illegible] the current system means that, even in turbulent conditions, investors can buy and sell [illegible] shares with [illegible]. If it [illegible] they [illegible] City would lose [illegible] competitive edge.

But [illegible] exchanges [illegible] foreign securities houses [illegible], and [illegible] anxious for reform.

[illegible] exchanges [illegible] transparency in the [illegible] system [illegible] London derivatives prices do not accurately [illegible] price of [illegible] underlying shares, and consequently [illegible] staying away. Mr Daniel [illegible]son, chief executive of [illegible] London International [illegible] Futures Exchange, [illegible] volume [illegible] derivatives trading in London [illegible] below that in [illegible] European [illegible].

London [illegible] of foreign [illegible] increasingly prefer [illegible] European markets, where [illegible] rules are [illegible] familiar [illegible] declared as [illegible].

Marketmakers counter [illegible] introducing greater transparency would [illegible] see [illegible] positions – roughly akin to viewing [illegible] fellow poker-player's hand. They point [illegible] they are putting their [illegible]ital [illegible] risk [illegible] for [illegible] they [illegible] to something in return.

They [illegible] lowing [illegible] Bang, when they [illegible] swingeing [illegible] under [illegible] transparent trading regime. That episode [illegible] rules, which allow marketmakers [illegible] delay [illegible] for [illegible] involving large [illegible].

This delay gives mar[illegible] shares [illegible] securities houses knowing there is a big seller in the market. [illegible] Mr [illegible] Marks, [illegible] at Smith [illegible] Court, one [illegible] London's leading marketmakers, [illegible] the [illegible] delays are often [illegible] long enough for them to hedge risks involved in making markets: "I believe that we need marginally less transparency, not more."

Marketmakers warn that, if transparency [illegible] increased, they would [illegible] capital they commit [illegible] trading, harming investors' [illegible].

[illegible] institutional [illegible] support [illegible] marketmakers' arguments. They feel liquidity [illegible] more important than transparency. [illegible] Mr [illegible] Lindey, chairman of [illegible] investment committee [illegible] the National [illegible] of [illegible] Funds.

But [illegible] support [illegible] universal. [illegible] Dick Barfield, investment director at Standard Life, [illegible] UK's larg[illegible] insurance companies, says [illegible] investors are [illegible] that [illegible] lack of [illegible] a cost. "What institutions don't realise [illegible] that very often, [illegible] they [illegible] dealing in [illegible] at a [illegible] requires [illegible] closure, [illegible] else [illegible] dealing in [illegible] larger [illegible] a [illegible] price. They just don't know [illegible] is a [illegible] price."

[illegible] exchange statistics support Mr [illegible] view. Last [illegible], just over half of the largest [illegible] deals [illegible] worth more than £1m) [illegible] struck at prices better than the best publicly available price.

[illegible] foreign securities firms, in particular, say that [illegible] real difficulty is [illegible] lack of transparency, [illegible] the system itself. Most Continental bourses operate "order-driven" systems, in [illegible] no participant is obliged to [illegible] market and, when any deal [illegible] struck, [illegible] are immediately available to all.

If London operated such a system, [illegible] would know the [illegible] prices [illegible] which [illegible] actions were being conducted, the foreign firms say. Moreover, they dispute the claim of [illegible] that the London system provides greater liquidity, arguing [illegible] increased investor confidence would [illegible] investor participation.

"We keep trying [illegible] a system [illegible] is fundamentally flawed," says [illegible] Chris Salter, executive director in charge of trading at Swiss [illegible] Corp. [illegible] believes this is increasingly putting the London Stock Exchange [illegible] disadvantage.

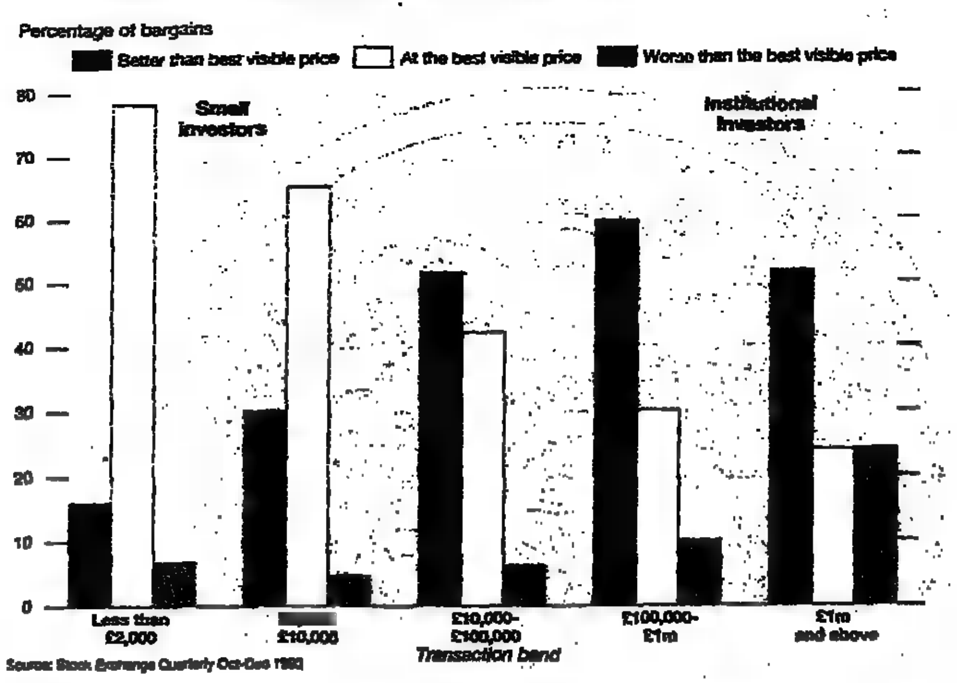
To an extent, it is hard to see why: since [illegible] the [illegible] exchange [illegible] operated what [illegible] in effect [illegible] electronic "bulletin board" – the Seaq International system – where marketmakers post [illegible] prices [illegible] which they [illegible] to deal. Because UK [illegible] prepared [illegible] capital in a way Continental firms [illegible] London quickly [illegible] trading [illegible] across Europe's borders.

[illegible] in [illegible] years, Continental [illegible] have [illegible] fighting back, altering [illegible] systems [illegible] make [illegible] trade large [illegible] of shares. Recognising [illegible] profit opportunities, Continental [illegible] houses [illegible] willing [illegible] their own capital to buy shares, taking [illegible] a kind of marketmaking role.

These [illegible] are showing signs of [illegible]. Turnover [illegible] in the [illegible] half [illegible] higher than [illegible] the [illegible] period [illegible] year.

[illegible] London Stock Exchange counters [illegible] Seaq International turnover [illegible] by a [illegible] amount. That, [illegible], reinforces [illegible] view [illegible] no change to the current [illegible] marketmakers [illegible] necessary. [illegible] the OFT inquiry proceeds and the pressure for reform increases, that position [illegible] harder [illegible] sustain. One sign that [illegible] the exchange perhaps realises change [illegible] in the air [illegible] its [illegible] this [illegible] to build into [illegible] replacement [illegible] Seaq [illegible] facility that would allow for an "order-driven" system.

Who gets the best prices for shares



Source: Stock Exchange Quarterly Oct-Dec 1993

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 [illegible]
Fax 071 873 5938. Letters transmitted should be clearly typed and [illegible] hand written. [illegible] set fax for [illegible]

Le glossary a useful exercise for Toubon

From Ms Eva Kaluzynska.

Sir, Perhaps Mr Jacques Toubon could [illegible] something really useful now that [illegible] Constitutional Council has stymied his bid for language protectionism ("Toubon vows to continue his war of words", August 1). A glossary of so-called English/American [illegible] have taken on a life [illegible] their own in Franglais would be handy, together with current pronunciation. [illegible] hamburgers [illegible] clearly no problem [illegible] native English speakers trying to do the right thing in French. But I need frequent updates [illegible] days on items such as le footing, le jogging, le forcing, [illegible] baskets, le [illegible] (pronounced sweet). [illegible] today, they apparently translate as jogging, track-suit pants, putting on the pressure, trainers (sport shoes), sweat-shirt. Le feedback, please.

Eva Kaluzynska,
119 Rue Philippe Baucq,
1040 Brussels, Belgium

Fate adds poignancy to Wilde's characters

[illegible] Mr John P [illegible]

Sir, The [illegible] your critic (Theatre, July [illegible]) [illegible] *Lady [illegible]* that "Wilde's parade [illegible] characters, both on-stage and off, [illegible] absurd now: why should they [illegible] titled?" [illegible] observation [illegible] by 1914 [illegible] very numerous titled [illegible] had in [illegible] accumulated in (non-revolutionary) Britain. [illegible] this [illegible] in the first [illegible] war, and [illegible] wealth [illegible] this class was considerably reduced. I [illegible] quote numbers, but my grandfather had a [illegible] business manufacturing Turkish and Egyptian cigarettes [illegible] gentlemen. [illegible] they gallantly went "over the top", [illegible] business fell [illegible] – never [illegible].

[illegible] of the [illegible] awaiting [illegible] characters in [illegible] life off-stage [illegible] poignancy to the brilliance of the play, as [illegible] the thought [illegible] Wilde's own sad fate.

John P Heron,
[illegible] The Farm,
Princes Way,
London SW19 6QF

PO cares – somewhere

From S J E Turner.

Sir, If the Post Office is sold off, will [illegible] really become more competitive and more efficient?

On June 20 I wrote [illegible] Post Office [illegible] Lincoln pointing [illegible] that a correctly stamped, first class parcel, posted by our supplier on June 3, reached our customer at Oakham on June 13.

This [illegible] acknowledged by The Royal Mail at Doncaster on June 23 saying: "Perhaps I should explain that Royal Mail wish to ensure that their [illegible] receive the [illegible] possible standard [illegible] vice, which [illegible] why we have provided local [illegible] points for all enquiries and complaints.

"I hope, therefore, that you will understand why I am forwarding your enquiry to your local customer care unit [illegible] Nottingham Customer Care.

"I can assure you that the staff [illegible] will [illegible] only [illegible] pleased [illegible] help and reply [illegible] you as quickly as possible."

On [illegible] 29, I [illegible] the following letter from the Customer Care Centre at Nottingham:

"I am writing [illegible] let you know that this is now being [illegible] by Parcelforce. You can contact them [illegible] Care, Parcelforce, Glasgow. They will make enquiries and reply [illegible] you as soon as possible."

As yet, I await a positive reply.

Can Glasgow have [illegible] what goes on [illegible] Lincoln and Oakham?

S J E Turner,
R F & F Money,
Folkingham,
Sleaford,
Lincolnshire,
[illegible] 0TW

UK needs a champion of superhighways cause

From [illegible] J [illegible]

[illegible] and industry [illegible] is right [illegible] warn [illegible] the dangers [illegible] UK [illegible] the US and Japan [illegible] development [illegible] interactive "information superhighways" ("MPs [illegible] early lifting of ban on [illegible] vice", July [illegible]). [illegible] information is the key [illegible] competitiveness in the [illegible] century, then an "information superhighway" will be pivotal to the [illegible] economic [illegible].

However, many people [illegible] yet [illegible] to [illegible] with [illegible] profound [illegible] implications which flow from the [illegible] revolution". [illegible] commissioned by 3Com [illegible] 200 [illegible] UK companies showed that more than two-thirds [illegible] managing [illegible] understand the phrase "information superhighway". [illegible] findings contrast with a similar survey [illegible] out by [illegible] Electronics [illegible] this year indicating a much greater appreciation [illegible] need for, and the [illegible] superhighway among American [illegible].

British business [illegible] lagging behind, [illegible] the [illegible] government [illegible] clearly articulated the superhighways vision [illegible] the population. [illegible] the Clinton administration [illegible] it developed a technology policy, with its superhighways initiative – the National Information Infrastructure – as the symbol for economic growth, [illegible] expansion of jobs and [illegible] in promoting education and healthcare reform. [illegible] may be distorted, but today many Americans have absolutely no [illegible] in the [illegible] superhighway [illegible] in [illegible] future and they [illegible] have [illegible] become familiar [illegible] it.

The [illegible] an equivalent [illegible] Vice-President Al [illegible], someone [illegible] will capture the imagination, champion [illegible] superhighways cause and spur industry into action. We decidedly do not need substantive government intervention but there should be active engagement.

The differences [illegible] Britain and the US may be more rhetorical than real, but in America there is some real understanding of the scale of change under way and the potential which it creates. Unless the British government takes a more active role in setting [illegible] the vision [illegible] both business and the public, we [illegible] consigned [illegible] the crawler lane of the information superhighway.

Matthew J Kapp,
managing director,
3Com UK,
Pacific House,
Third Avenue,
Globe Park,
[illegible]
Buckinghamshire SL7 1YL

Delfont in a positive light

[illegible] J Surrey.

Sir, I was [illegible] see Antony [illegible] comment in his obituary [illegible] (July [illegible] his judgment wavered . . . and he rejected [illegible] investment in [illegible] Python's *[illegible] of [illegible]* [illegible] he thought it was blasphemous." To [illegible] this [illegible] sion, far from indicating poor judgment, says more [illegible] Lord Delfont – and puts him in a more positive light – than all the other glowing comments in [illegible] of the obituary put together.

Robert J Surrey,
[illegible] Hunsdon Drive,
Sevenoaks, Kent TN13 3AX

A little introspection in order

[illegible] Mr A H Hampson.

[illegible] I was surprised and dismayed that a journal with [illegible] reputation and status [illegible] FT [illegible] the silly [illegible] bigoted [illegible] by [illegible] Thompson-Noel (Hawks and Handsaws, July [illegible]) about "people from [illegible] regions" [illegible] not the south-east [illegible] region?). I suggest [illegible] quiet introspective research would [illegible] appropriate [illegible] expression "micro-brained" to others.

A H Hampson,
[illegible] Grisedale Close,
Formby, Liverpool L37 2YE

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هكذا من الأصل

FINANCIAL TIMES

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Wednesday August 3 1994

The Bank looks up

The Bank of England's Quarterly Inflation Report was introduced to give British monetary policy greater "openness and accountability". Judging by the City's recent confusions, many are still trying to work out what that entails. But as far as the Bank is concerned, the latest answer is that interest rates will have to rise in the months ahead if the government's inflation target is to be met. Bank-watchers should not be surprised that it declines to say when.

Once again, the Bank has been caught out by the slow pace of price increases since its last report was published three months ago. Instead of rising slightly in the second quarter of 1994, as predicted, the government's target measure of inflation remained broadly stable. However, as the Bank never tires of pointing out, the more relevant prediction is that for two years hence, since that is roughly how long it takes for interest rate changes to take effect. As in May, the report predicts that if interest rates remain unchanged, inflation will then be 3–3½ per cent, above the government's 1–2½ per cent target range [illegible] the end of the current parliament.

Before long, therefore, interest rates will have to rise. As the Bank observes, inflationary pressures could be well developed even while the actual inflation rate continued to fall. "It is possible", [illegible] somewhat coyly remarks, "though not yet certain, that the UK is entering this phase." Such turning points are notoriously hard to judge, but the Bank yesterday doubled the number of inflation "risks" which it thinks worth worrying about.

Output growth

In addition to the three dangers identified in May – excessive money growth, inflation expectations, and labour cost increases – movements in commodity prices and company profit margins may also feed into the inflation rate in the coming months. Finally, there is a chance that the current growth rate of output is taking the British economy closer to its current potential level than was previously estimated.

Cynics might suggest that the unexpectedly good behaviour of the variables highlighted in May has left the Bank searching for other reasons to recommend a rate increase before the end of the year. Indeed, only one, the growth of narrow money, is currently a cause for concern.

This grew at an annual rate of 6.5 per cent in July. Although the [illegible] of [illegible] has subsided somewhat in [illegible] months, it still [illegible] above the government's 0-4 [illegible] monitoring range. Cash balances may still be adjusting to lower interest rates, though the Bank may not find this explanation convincing for very much longer.

Still, growth of the broader measure of the money supply, M4, was a subdued 5.2 per cent for the six months to June, well within its 3-9 per cent monitoring range. And, as the report admits, neither expectations of inflation nor the underlying growth of average earnings have deteriorated since May.

Interest rates

Underlying growth in average earnings has stabilised in recent months at 3¾ per cent. Expectations of inflation, as measured by survey data and bond market expectations, are much the same as they were three months ago, albeit higher than the government would like. Is the speculation that interest rates will rise overdone?

In order to make the alternative judgement – that interest rates should not be raised over the next few months – one has to believe one of two things. Either price pressures entering the fifth year of a recovery will be lower than currently predicted, or the government should not act to deliver on its target.

Clearly, neither is a judgement the Bank is prepared to make. Thanks to innovations such as the Quarterly Inflation Report, the Bank's reputation and influence has grown during this recovery, almost as steadily as the economy itself. But with monetary policy still ultimately determined by the chancellor, it will take more than two years of non-inflationary growth for the new regime to establish its credibility. A pre-emptive rate rise in the coming months, before higher inflation has had a chance to get established, offers the best strategy for sustaining both.

Time to help Nigeria

Nigeria is gripped by a crisis that threatens to become a catastrophe, not only for Africa's most populous nation but for the region that it dominates. Only Nigerians themselves can resolve the most serious challenge to their country's stability since the Biafran war, but their deepening predicament also calls for a constructive and imaginative response from the international community.

A strike by oil workers in support of jailed opposition leader Moshood Abiola has already cut the country's petroleum exports by a fifth, the first time production has been disrupted since the Biafran conflict. This is due to become a general strike today, deepening the confrontation between the military government of General Sani Abacha and supporters of Mr Abiola, victor in last year's annulled presidential election. It will be backed by many other Nigerians driven to despair by mismanagement, corruption and falling real incomes.

The presidential poll was deeply flawed. The two participating parties were created by the military government, which also wrote their manifestos. Mr Abiola, whose qualifications for the job are dubious, only emerged after the government had banned earlier candidates.

Yet western governments did not object during the run-up to the poll, and enough Nigerians supported the election to give it some credibility. Mr Abiola, despite his faults, thus has a key role to play in efforts to resolve the crisis.

Failed mediation

So far western mediators such as Rev Jesse Jackson, who went last week at President Bill Clinton's request, have had little impact. Although Mr Jackson's warning that violence could be imminent underlines the severity of the crisis, his threat of increased sanctions is unwise. The only effective measure would be to embargo Nigeria's oil exports, which at best is a policy of last resort; at this stage it could well do harm.

The most serious danger Nigeria faces is that of a power vacuum. The military regime could be toppled by a combination of protesters taking to the streets and army officers prepared to hand over to a civil authority. The trouble is that there is no credible alternative government waiting to take over: not even the current crisis has been enough to bring together an opposition divided by ethnic, regional and personality differences.

Nigerians opposed to military rule need to understand that neither sanctions nor any other form of external intervention can on their own rescue them from their predicament. Before the international community can assist, opposition members must set aside their differences, while Gen Abacha and Mr Abiola must realise that their country's survival depends on a modicum of co-operation between them.

Coalition government

South Africa may provide a precedent. If that once bitterly divided country could lay a foundation for renewal through a coalition government of limited duration, so can Nigeria. Mr Abiola can claim a right to lead such an administration, but it cannot exclude Gen Abacha, or another senior officer, for the military's role in maintaining law and order will be essential.

To overcome opposition from the north, Mr Abiola, whose stronghold is the Yoruba dominated south, should limit the transition to no more than two years. At the end of that period Mr Abiola should stand down, and agree not to run for re-election. Key portfolios – finance, the central bank, the state-owned Nigerian National Petroleum Corporation – should go to technocrats. As a condition for debt relief, the accounts of these institutions must be monitored by resident officials from the World Bank and the IMF, who would assist Nigeria implement the country's lapsed economic reform programme.

If Nigeria is prepared to help itself, western creditors must be ready with their support, offering a debt write-off and rescheduling which reduces Nigeria's annual servicing commitments to no more than 20 per cent of export earnings. There can be no guarantee that such a proposal would succeed. But Nigerians, like South Africans, may come to realise that the alternative is too ghastly to contemplate.

Kevin Done examines restructuring in the automotive components industry

A pyramid of many parts

The competitive screw has tightened remorselessly on the world's automotive components suppliers, as leading car and truck makers have sought to shore up their sagging profitability during recession.

With bought-in components accounting for well over 50 per cent of the [illegible] a [illegible] the [illegible] assemblers [illegible] squeeze their suppliers first, when the going gets tough.

The fierce restructuring and fluctuating fortunes of the car and truck makers themselves have been immediately apparent in several ways: the record losses – and now the record profits – of the big three US carmakers; the corporate revolutions at General Motors and Volkswagen; the record losses at Nissan, Fiat and VW; the resurgence of Chrysler; the break-up of the Renault/Volvo alliance; the financial collapse of Daf.

Down in the dense undergrowth of the automotive components supply industry, however, the bloodletting is no less intense. Profound changes are taking place in the global motor industry, and much of the activity concerns the crucial relationship between the vehicle maker and its suppliers.

The demands of the vehicle makers are forcing the components industry to restructure:

- New alliances are being thrown up. Valeo of France and Siemens of Germany announced last week that they are studying a merger of their automotive [illegible] conditioning and [illegible] a FFr4bn-a-year joint venture [illegible] accompanying article).
- The industry is consolidating as suppliers seek economies of scale to meet the increasing and costly demands from the vehicle makers for enhanced research and development. Allied Signal of the US, one of the leading automotive braking systems suppliers, has entered into a worldwide truck brake joint venture with Knorr-Bremse of Germany. With annual sales of $650m and a workforce of 4,600 the venture is designed to cope with the rising R&D costs stemming from the introduction of electronic systems.
- Opportunities for components producers are emerging as cost pressures force vehicle makers to go outside for operations previously conducted in-house.

ITT, the US conglomerate, has spent $400m to buy 80 per cent of [illegible] General Motors automotive components business, [illegible] electric motors and wiper systems with an annual turnover of $760m. GM is pruning its Automotive Components Group as part of the wrenching effort to restore its North American vehicle assembly operations to profit.

As the industry undergoes transformation, the front-rank automotive components suppliers are having to establish a global [illegible] to meet the demands of vehicle makers for global sourcing. Components producers are also having to develop into suppliers of systems rather than simply of components, as the vehicle makers concentrate more on their own core activities of new product development – overall programme management rather than the design and development of vehicle components – and final vehicle assembly.

According to Mr Karl Ludvigsen, chairman of Ludvigsen Associates, the UK-based automotive analysts: "Carmakers want the supplier to participate more in development, to be a more active partner in innovation and to carry out testing and validation so thoroughly that the carmaker no longer needs to check incoming components and sub-assemblies before bolting them into an automobile."

The structure emerging throughout the world automotive components sector reflects more closely the pyramid organisation of the Japanese industry with tiers of suppliers.

The players in the first tier are growing in size and technological capability, as they assume new responsibilities. But at the same time the category is becoming smaller, as the vehicle makers try to rationalise their supply bases and reduce radically the number of suppliers with which they have to deal.

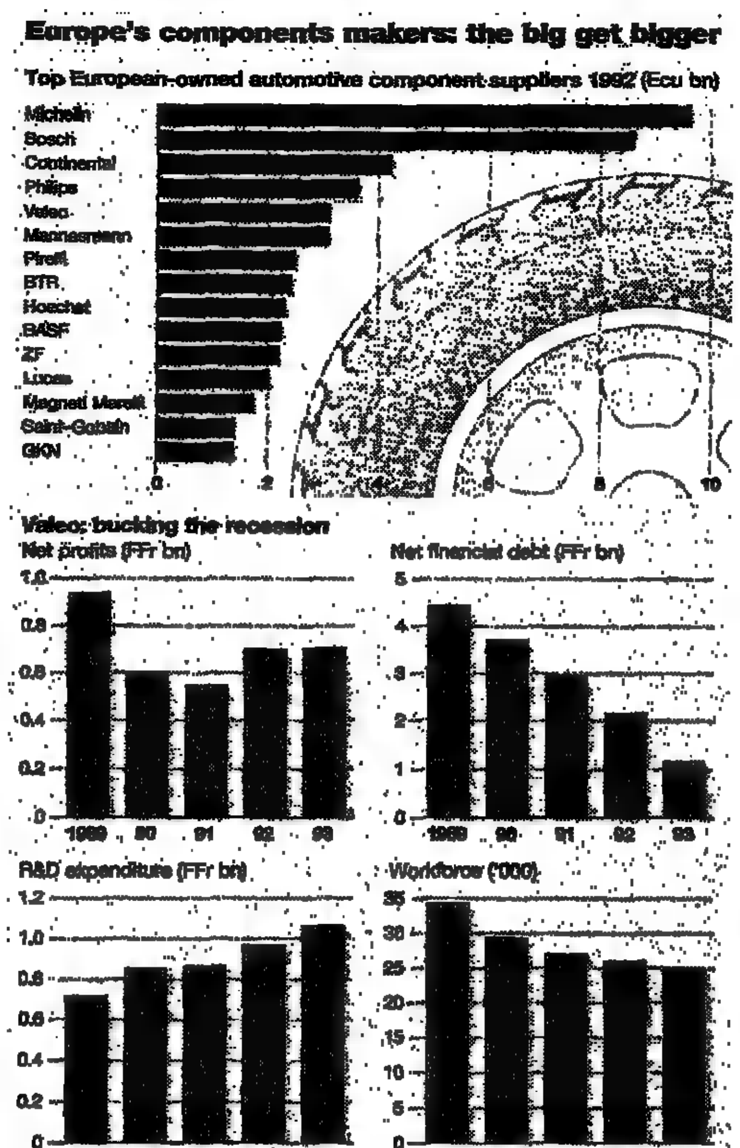
"These new requirements will result in a shake-out that will leave fewer than 300 truly global tier-one suppliers by the year 2000," says Mr Ralph Reins, president of AlliedSignal Automotive. "Those that cannot meet the demands of global sourcing, programme management and systems packaging will either drop further down the supply chain or, like old soldiers, simply fade away."

Individual carmakers have taken drastic action to cut the number of their direct suppliers from about 1,250 on average in 1988 to 900 at present, according to a report [illegible] by the Boston Consulting Group for the European Commission. The number is expected to drop again to about 400 by 1997. Companies operating as second- or third-tier suppliers may fall by up to a third, warns the study.

In Europe, Ford is cutting its suppliers from 1,200 in the late 1980s to about 500 by 1996. As it moves to the use of single rather than multiple sourcing for [illegible] given part or system, it is "signing long-term contracts with fewer suppliers for large volumes of components", according to Mr Eckhard Jokisch, vice-president of supply.

"The European motor industry still has more suppliers than it really needs," he says. "A lot have already fallen by the [illegible] side... Changing our philosophy from buying nationally to buying globally has already led to [illegible] reduction in numbers. Our strategy of purchasing higher levels of sub-assemblies will reduce the number of suppliers even further."

Ford had more than 700 [illegible] – all in North America – for its US-built Ford Tempo/Mercury Topaz large family car range. Its successor, the Ford Contour/Mer[illegible] Mystique, which has just entered production in the US has only 227 suppliers, drawn from around the world.



Source: The Economist Intelligence Unit, Company accounts

The reduction in supplier numbers is spreading right down the chain, as the first-tier components producers behave as rigorously as the vehicle makers.

AlliedSignal Automotive has cut the number of its suppliers from 2,400 at the beginning of the 1990s to 1,000 and this will be reduced further to 900. Valeo of France had 3,500 suppliers in Europe in mid-1991. This number has been cut to 1,800 and the aim is to reach about 1,000 by the end of 1995.

The rationalisation of the industry is having alarming consequences for jobs. The Boston Consulting Group report warned that employment in automotive components production in the European Union could decline by at least 40 per cent from 1992 to the end of the decade. More than 400,000 jobs were likely to be shed, it said, as European components makers sought to close the productivity gap with the Japanese industry.

Bosch of Germany, the leading European automotive components supplier, alone cut 13,200 jobs last year (from all areas of operations including consumer goods and communications technology) to reduce its group workforce to 156,600. Another 4,100 jobs are being eliminated this year. Bosch has been a notable victim of the recession, incurring an operating loss of more than DM500m last year, the first substantial loss in the postwar period.

The fortunes of many in the industry have begun to improve this year, however. Some groups, such as Valeo and T&N of the UK, have already improved profitability in the past two years, and in the [illegible] leading [illegible] components makers [illegible] as [illegible] TRW have seen record profits in the second quarter.

While the industry restructures it is clear that the most agile first-tier suppliers, capable of operating at the leading edge of their particular technologies, have golden opportunities for growth.

Many suppliers are expected to disappear in "the greatest rationalisation the sector has ever experienced", according to a recent report by the Economist Intelligence Unit. The survivors, in contrast, will be "larger and fitter with a global base to their operations and comprehensive R&D facilities".

[illegible] the adversarial [illegible] of old [illegible] the vehicle makers and their suppliers are gradually reformed with a new emphasis on partnership and [illegible], negotiating power is increasingly moving in favour of the top components makers. But for those unable to keep up with the pace of change, the message is stark.

As Mr Reins puts it: "The bottom line for suppliers today is crystal clear: change or die."

Reconditioned for growth

Valeo, the French automotive components supplier, has come through the deep recession in the European auto industry with flying colours. While leading rivals such as Bosch of Germany and Italy's Magneti Marelli incurred heavy losses last year, Valeo has maintained profits, writes Kevin Done.

Mr Noël Goutard, Valeo's ebullient chairman and chief executive, was one of the first leaders in the automotive components industry to anticipate the downturn and [illegible] down the hatches in 1990. Now that the market is improving, Valeo is going for growth while some rivals are still clearing the wreckage of the recession.

"In 1994 we are in [illegible] new phase, and we anticipate strong growth," says Mr Goutard. "We believe that by 1995-96 the American, European and Japanese markets will be in a unique situation with all three converging on a path of strong growth. Asia/Pacific will join as a fourth important region. There will be four markets in high gear and we want to be ready."

Valeo has become [illegible] standard bearer of the European automotive components industry. Over the past decade it has provided a textbook example of how a regional player can develop into a global supplier.

After three years of losses in the mid-1980s the group came under the minority control of the Cerus group of Mr Carlo De Benedetti, the Italian industrialist. Mr Goutard [illegible] recruited from Thomson, the French [illegible] group, to turn round the ailing conglomerate.

Initially, Valeo's non-automotive operations in construction materials, mechanical engineering and defence were jettisoned. Valeo then set out to transform itself from a company with markets largely limited to France, Italy and Spain, into a European supplier and, eventually, into [illegible] global components producer. Acquisitions took it into the UK – to serve the newly arriving Japanese carmakers – and also into Germany and Sweden.

[illegible] similar route, together with joint ventures, has allowed it to expand its presence into North and South America and Asia (notably into South Korea). Of group sales last year of FFr20.2bn (£2.43bn) some 41 per cent was derived from France, 36 per cent from the rest of Europe, 14 per cent from North America (including Mexico) and 9 per cent from South America and Asia.

The group now has 68 production plants worldwide, of which 20 are outside Europe. In an industry becoming ever more concentrated, it supplies virtually all of the world's leading vehicle makers. But its main customers are the two French producers PSA Peugeot Citroën and Renault, Chrysler of the US, the Volkswagen group of Germany and Fiat of Italy.

Valeo has seized the opportunity – and risk – offered by Chrysler's resurgence. The US carmaker has come from nowhere five years ago to become its third most important customer, ahead of VW and Fiat.

The French group has focused operations in sectors where it can be number one or two in Europe or the world: in automotive lighting, clutches, air conditioning and heating, radiators, plus electrical, wiper and security systems.

This structure served it well, but the acquisitions spree was halted by the threat of recession, when it had to take tough measures to reduce debt levels, [illegible] back its workforce and increase productivity.

"We said a healthy balance sheet and [illegible] continuous improvement of our operating margins, and not sales growth, would be the main concerns. We have re-engineered ourselves," says Mr Goutard. Net profits actually grew marginally last year – in the depths of recession in European auto markets.

Valeo has continued to invest heavily in research and development, training and the upgrading of its workforce, through extensive recruitment of graduate engineers, to equip it for the next growth phase, which Mr Goutard believes is well under way.

He forecasts Valeo will increase turnover by 50 per cent by the year 2000 to FFr30bn, including a doubling [illegible] sales outside western Europe. Already this year it has taken over a clutch business and set up an aluminium radiator operation in Argentina. It has also set up joint ventures in automotive air conditioning, heaters, wipers and electric motors in China, and taken over Borg Instruments, a specialist [illegible] automotive electronics company.

Having successfully managed recession, Valeo now faces the challenge of managing growth without getting fat. "In a receding market everyone knows belt-tightening is the order of the day, but everyone goes mad in [illegible] growth environment. It is very difficult to run a tight ship," warns Mr Goutard.

"The next [illegible] will be growth without inflation. We will not be able to pass on cost increases to customers. We cannot count on inflation to erase our sins, so we had better not sin."

OBSERVER

De Savary sails again

■ While Britain's grander yachties graced the lawns of the Royal Yacht Squadron for Cowes Week, a prominent but decidely unclubbable UK yachtsman attempted to make his own splash from across the Atlantic.

America's Cup challengers are normally invited to join the Squadron, but Peter de Savary's multi-million endeavours at the race have cut no ice with the nobs at Cowes Castle, who heartily dislike almost everything about the entrepreneur. Now he has decided to meet them at sea.

The occasion presents itself courtesy of the New York Yacht Club, which, as part of its 150th birthday celebrations, is unveiling another international sailing trophy. The first race will be held off Newport, Rhode Island, in 1996 with a new class of 60 foot yachts, crewed strictly by amateurs.

After almost two years of discussions, the NYCC had secured the participation of the Royal Yacht Squadron. But flag officers were startled earlier this week when de Savary, on holiday afloat his yacht Carabana, inquired whether another British challenge would be acceptable.

Clearly not unduly deflated by the problems of part of his business empire earlier this year, de Savary announced he would return to the UK and drum up the $1.5m that he will need.

But he can assemble the best amateur team in the world. Membership of the RYS – or of the NYCC – never had aught to do with sporting ability.

Media games

■ Talking of maverick yachtsmen, Ted Turner's Goodwill Games in St Petersburg still seem to be having teething troubles.

Last week the swimmers were delayed because the water in the swimming pool had turned the wrong colour and yesterday the short-track speed-skating competition ran into problems because the ice was not ready.

Worse still, Turner Broadcasting, which has spent upwards of $100m on the event, looks like being out of pocket because the US TV ratings have been below expectations.

However, it takes much more than this to upset Turner who is already starting to concentrate on the 1996 Olympics which are coming to his home town of Atlanta. Indeed, there is even talk that Turner may be in the running to be one of the two US members of the International Olympic Committee.

It is over two and [illegible] half years since Robert Helmick, the former president of the US Olympic Committee was forced to stand down and [illegible] decision on a replacement is expected by

'Have you any big whoppers left?'

early September.

While some members of the US sporting establishment would run a mile before allowing Turner on board, sporting cognoscente have noted that Harvey Schiller, the executive director of the US Olympic committee has announced that he will be joining Turner's sports broadcasting arm in the autumn.

Off colour

■ The Royal Institution of Chartered Surveyors has finally got its act together with new regulations designed to tighten up on valuations. The new guidelines are [illegible] merger of the existing [illegible] guides, the so-called "Red Book" and the "White Book".

But one vital question remains unanswered – what's to be the colour of the new rule book? The smart money is on the final version turning red, although some are suggesting it may turn purple, the institution's own colour.

Officials have ruled out the logical combination of the two colours into pink. Instead, yesterday's draft was printed in partly red and partly white – typical fence-sitting behaviour.

Quality test

■ It is not only America's chattering classes who are starting to distance themselves from their president. Texan Jim Hightower, a folksy Democratic politician turned broadcaster, has taken to describing Bill Clinton as "thixotropic". And in case you don't know the meaning of the word, Jim adds that it's like mayonnaise – "it's solid, until a little heat is applied. Then it turns into a liquid."

Glen who?

■ So why does the international trading group Marc Rich want us to call it Glencore from now on? Is this the rump of two partners' names fused together, or perhaps the location of a Speyside whisky distillery?

No, in the dreary fashion of our times it turns out to be yet another acronym – standing [illegible] global energy, commodities and resources.

Still, it is [illegible] lot better than most of the gibberish titles, such as Zeneca, Varity, Navistar and Exxon, that companies shell out hundreds [illegible] thousands of pounds to have invented for them.

A name change has been mooted since Marc Rich himself stepped down from the chair last December and reduced his majority stake to a 25 per cent holding. He plans to dispose of that too before very long.

Rich has been wanted in the US on tax evasion, fraud and racketeering charges for more than [illegible] decade.

So it is perhaps understandable that the company wants to dispense with a handle almost every public reference to which is prefaced by that embarrassing little word – "fugitive".

Wet one

■ A perilous business, drying your hands. Observer was so glad to hear from a reader that US federal law now prescribes the following very sensible little notice be affixed to roller towels across America.

"Instructions 1. Pull towel gently with both hands. 2. Wipe hands and face. 3. WARNING: Do not attempt to hang from towel, or insert your head into the towel loop. Failure to follow these simple instructions can be harmful or injurious."

FINANCIAL TIMES
Wednesday August 3 1994

Europeans disappointed as Mitsubishi moves towards US

Japan backs Boeing in jet deal

By Michiyo Nakamoto in Tokyo

Japan [illegible] indicated [illegible] preference for developing a 100-[illegible] commercial jet aircraft in co-operation with Boeing [illegible] the US rather than [illegible] turbo-propeller aircraft in [illegible] joint development with European compa[illegible].

The move by Japanese [illegible] manufacturers is [illegible] blow to European aircraft makers. It is likely to fuel discontent in the EU over Japan's continuing inclination towards [illegible] US in aero[illegible].

Last week, Mitsubishi Heavy Industries, Japan's largest aero[illegible] manufacturer, informed ATR, the Franco-Italian regional turbo-propeller aircraft maker, and Saab-Scania of Sweden, that the Japanese consortium developing the aircraft was "moving in the direction of" choosing the [illegible] jet [illegible].

The proposed aircraft, [illegible] named the YSX, [illegible] to be [illegible]oped by leading Japanese aircraft [illegible] under [illegible] auspices [illegible] the Ministry [illegible] International Trade and Industry. The project is receiving Y1.1bn ($11m) in [illegible]ernment [illegible] for [illegible] feasibility study and aims to deliver the [illegible] aircraft in [illegible].

The YSX [illegible] Japan's [illegible] effort to establish a [illegible] in the international [illegible] industry. The YSX consortium has been considering whether to build [illegible] aircraft with European manufacturers or [illegible] 100-seater with [illegible] and [illegible] Chinese government [illegible].

Miti [illegible] feasibility study with the Europeans will [illegible] with a final decision expected next [illegible]. It left [illegible] the option of co-developing a [illegible] with European companies. However, Mitsubishi [illegible] the move [illegible] focus on [illegible] jet aircraft had stronger potential.

For Boeing, the project would enable the US [illegible] to develop [illegible] its [illegible] twin-jet aircraft, [illegible] 75 [illegible] 100 [illegible], [illegible] respond to potential demand of around [illegible] units [illegible] next [illegible] years. The [illegible] jets would be aimed at large international carriers, while the [illegible] would [illegible] to regional airlines in [illegible] US and Europe.

Boeing and the Japanese aircraft industry are also targeting growing demand for smaller jet aircraft in the fast-growing Asian, and in particular Chinese, markets.

Boeing has a long history of links with Japan.

Optical disc makers agree

Continued from [illegible] 1

[illegible] as it does not [illegible] the quickly changing data requirements of computers. Also, Matsushita buys [illegible] significant amount of [illegible] drives from Fujitsu and could adopt the new standard at any time.

Since MO discs can also record sound and video as well as data they are expected to play a leading [illegible] in multimedia services, such as video-on-demand or inter[illegible] TV. However, [illegible] their current price – [illegible] drive [illegible] about $800 while [illegible] current [illegible]eration 230 megabyte disc is priced [illegible] about $50 each – they are [illegible] range [illegible] many consumers.

The manufacturers hope [illegible] by standardising the next generation discs, which will be capable of recording [illegible] information, or roughly equivalent to a CD-Rom, they [illegible] bring prices down.

The market for [illegible] disc drives is dominated by Japanese companies. Fujitsu, has a 30.7 per cent market share for the 128-megabyte generation. says the IDC, the high-technology consultancy. IBM is fifth largest. Last year, 240,000 disc drives were sold but the IDC estimates sales may rise to 2m units worldwide by 1997.

Bank of England warns government over inflation

By Philip Coggan and James Blitz in London

The [illegible] England yesterday warned that, [illegible] rates [illegible] in [illegible] few months, [illegible] UK government [illegible] to [illegible] reducing underlying inflation [illegible] 1-2.5 per cent range by the end of [illegible] parliament.

[illegible] its quarterly inflation report, published yesterday, the Bank [illegible] underlying [illegible] price inflation, which excludes mortgage interest payments, [illegible] peak [illegible] per [illegible] in the first quarter [illegible] 1996.

The Bank, however, clearly signalled yesterday that there would be no [illegible] in [illegible], currently [illegible] per cent, before September 7 when [illegible] governor, Mr Eddie George, next [illegible] Mr Kenneth Clarke, the chancellor of the exchequer.

The report acknowledged [illegible] inflation had [illegible] lower than the Bank had previously forecast and [illegible] also reduced the [illegible] short-term outlook for underlying inflation.

Speculation about [illegible] imminent base rate increase reached a peak last Friday, when the Bank accepted [illegible] for Treasury bills [illegible] of up [illegible] per cent. Yesterday, however, the money markets [illegible] relieved by the tone of the report.

Short sterling, the futures market's means of speculating on interest rate changes, rose on the news, indicating a decline in interest [illegible] expectations. The three month interbank [illegible] rate fell back to 5⅞ per cent, from 5¾ per cent on Monday.

No date has been chosen for a rate move but the Bank estimates the [illegible] between changes in [illegible] and those [illegible] inflation at around two [illegible].

The Bank would therefore have to tighten policy no [illegible] than the first quarter of [illegible] year if it were to bring underlying inflation below [illegible] per cent in the second quarter of 1997 – the latest date for the next general election.

"The stance of monetary policy must be set on the basis of a judgment of where inflation will be in some two years or so," said the report. "This is especially important at turning points in official interest rates."

The Bank added three [illegible] inflationary [illegible] the three outlined in [illegible] May inflation report – money supply growth, [illegible] in [illegible] earnings, and inflationary expectations in [illegible] financial markets.

The report says that new [illegible] include recent [illegible] in [illegible]modity prices, the prospect [illegible] rebound in corporate profit margins and [illegible] the economy [illegible] to [illegible] full growth potential than previously thought.

[illegible] "the pressures for higher inflation in [illegible] may [illegible] building up [illegible] published inflation rate for the past [illegible] to fall. It [illegible] possible, though [illegible] certain, [illegible] United Kingdom [illegible] entering this phase."

Analysts said [illegible] arguments in the report would provide [illegible] useful ammunition for the governor if and when [illegible] tried [illegible] per[illegible] the chancellor [illegible].

The opposition Labour party [illegible] quick [illegible] criticise the Bank's [illegible], claiming that [illegible] tight[illegible] policy would [illegible].

See Lex

World Bank rejects Indian power loans

By Shiraz Sidhva in New Delhi

The World Bank [illegible] turned down applications for [illegible] loans [illegible] $750m for projects in some Indian [illegible] of mismanagement in their [illegible] electricity [illegible].

The bank's loans to central government power projects remain [illegible].

The [illegible] Indian [illegible] of Karnataka, which [illegible] power shortages, will be [illegible] affected by [illegible] Bank's decision.

Mr Veerappa Molly, [illegible] chief minister, failed [illegible] management [illegible] the bank in Washington that it [illegible] the [illegible] it [illegible].

Mr Heinz Vergin, the World [illegible] in charge of India, said that they had "every intention [illegible] restart [illegible] relationship with Karnataka", provided the [illegible] institution in charge [illegible] generation and [illegible]tion became financially [illegible].

Mr Vergin made his comments [illegible] announcing approval [illegible] $168m [illegible] Bank [illegible] to help India tackle pollution in key [illegible].

World Bank officials have repeatedly expressed their concern about mismanagement in [illegible] electricity boards, many [illegible] which [illegible] bankrupt [illegible] they have failed to collect dues, have provided [illegible]ity [illegible] prices [illegible] than cost, and ignored large-scale electricity thefts.

The bank, in its annual country [illegible] released in May, [illegible] the need [illegible] restructuring the power sector in [illegible] states.

Several large power projects, like Enron US's 2,015MW project in Dhabol, Maharashtra, [illegible] yet [illegible] the implementation [illegible] because they [illegible] found it financially unviable to [illegible] with crisis-ridden [illegible] electricity boards.

The government, which liberalised [illegible] power [illegible] two years [illegible], has [illegible] nearly [illegible] proposals, amounting [illegible] Rs20bn £414m [illegible] than 32,000MW [illegible] generation capacity, half India's existing installed capacity.

International [illegible] have been asking the central [illegible]ment [illegible] counter-guarantees, which [illegible] government has so far been unable to provide, because the state governments are unwilling to take the hard political decisions needed to make their electricity boards viable.

The World Bank has recommended the Indian government extend its reform process to the states.

Mr N.K Salve, India's power minister, said the bank's [illegible] had [illegible] come [illegible] surprise to the ministry, which now has a [illegible] case [illegible] urge that [illegible] electricity [illegible] improve their [illegible].

But he [illegible] that central government could not let down the states, and his ministry was [illegible] of the responsibility [illegible] them, especially [illegible] were facing [illegible] "dangerously suicidal [illegible]" on the power front.

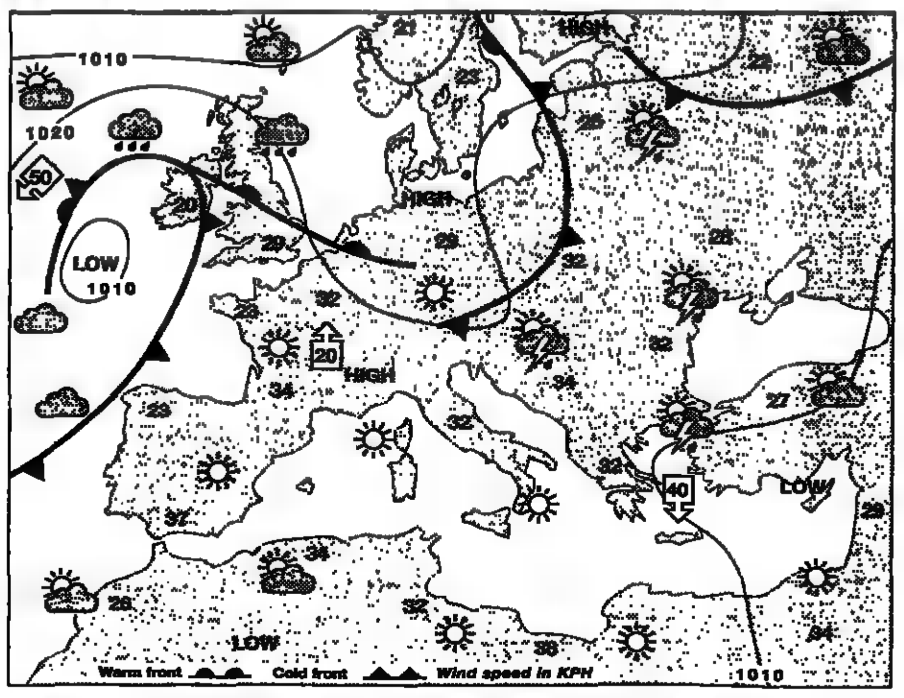
FT WEATHER GUIDE

Europe today

After a brief cool spell, western Europe will become warmer again with temperatures of 30C or higher in France and southern areas of the Low Countries. Low pressure over the Bay of Biscay will draw warm and moist air into the British Isles causing outbreaks of rain. A frontal system in eastern Europe will produce thundery rain. Poland, the Alps and the Balkan states will have isolated thunderstorms while the Czech Republic will be as warn as southern Spain. Southern Finland, northern and central regions [illegible] Sweden and Norway will have thundery rain. Southern Europe will remain sunny and settled.

Five-day forecast

The Benelux, Germany and France will have another spell of exceptional heat with temperatures of 30C to 35C, and rising above 35C on Thursday and Friday. On Friday strong sea breezes will set in along many coastal areas of western Europe, marking the beginning of a cooling trend. An outbreak of thunderstorms is expected in the continent on Saturday. Eastern and southern Europe will remain hot.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	[illegible]		[illegible]	[illegible]	35	[illegible]	[illegible]	26	Faro	sun	28	Madrid	sun	36	Rangoon	fair	29
	[illegible]		Belfast	rain	[illegible]	Cardiff	rain	[illegible]	Frankfurt	fair	33	Majorca	sun	32	Reykjavik	cloudy	15
Abu Dhabi	[illegible]	39	Belgrade	sun	[illegible]	Casablanca	[illegible]	26	Geneva	sun	31	Malta	sun	32	Rio	fair	27
Accra	fair	25	[illegible]	[illegible]	29	[illegible]	thund	29	Gibraltar	sun	29	Manchester	rain	24	Rome	sun	32
Algiers	sun	32	[illegible]	fair	32	Cologne	fair	31	Glasgow	rain	21	Manila	rain	28	S. Frsco	fair	23
Amsterdam	fair	26	[illegible]	fair	[illegible]	Dakar	fair	[illegible]	Hamburg	fair	27	Melbourne	fair	14	Seoul	fair	34
Athens	sun	32	[illegible]	[illegible]	[illegible]	Dallas	fair	[illegible]	Helsinki	fair	25	Mexico City	fair	36	Singapore	cloudy	32
Atlanta	fair	33	[illegible]	fair	30	Delhi	fair	[illegible]	Hong Kong	fair	32	Miami	fair	32	Stockholm	fair	25
B. [illegible]	sun	12	[illegible]	sun	36	Dubai	[illegible]	39	Honolulu	fair	30	Milan	sun	34	Strasbourg	fair	32
B.ham	rain	26	C.hagen	fair	[illegible]	Dublin	[illegible]	20	Istanbul	sun	30	Montreal	fair	24	Sydney	fair	14
Bangkok	[illegible]	32	Cairo	sun	33	[illegible]	[illegible]	32	Jakarta	fair	32	Moscow	fair	22	Tangier	sun	30
Barcelona	[illegible]	28	Cape Town	[illegible]	14	Edinburgh	[illegible]	[illegible]	Jersey	cloudy	20	Munich	fair	30	Tel Aviv	sun	31
									Karachi	shower	32	Nairobi	fair	20	Tokyo	fair	36
									Kuwait	sun	43	Naples	sun	32	Toronto	shower	28
									L. Angeles	sun	32	Nassau	sun	32	Vancouver	rain	23
									Las Palmas	sun	26	New York	fair	32	Venice	sun	32
									Lima	cloudy	19	Nice	sun	29	Vienna	fair	32
									Lisbon	sun	27	Nicosia	sun	30	Warsaw	sun	32
									London	fair	29	Oslo	fair	26	Washington	fair	33
									Lux.bourg	fair	30	Paris	sun	33	Wellington	fair	14
									Lyon	sun	33	Perth	sun	22	Winnipeg	sun	24
									Madeira	fair	28	Prague	fair	30	Zurich	sun	29

THE LEX COLUMN

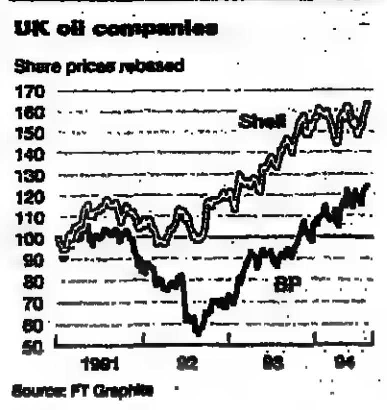
The price of delay

The City has been spared a rate rise this week, but the Bank of England's inflation report leaves little doubt that it is [illegible] for one in the not too distant future. The longer term aim is to have underlying inflation in the lower half of its target range by the end of the current parliament. Since changes in monetary policy take about two years [illegible] have the desired impact, action needs to be taken soon if that aim is to be achieved. The difficulty lies in choosing the moment, however. If it acts too soon and the recovery falters, the Bank will suffer as much damage to its credibility as it would by dithering.

The new report may have made its task harder. Though output is growing faster than the Bank assumed in May, its expectations of inflation have been trimmed back with [illegible] neat downward tick in [illegible] impact [illegible] higher VAT on fuel drops out of the equation. [illegible] outlook really is that benign, it is hard to see how the Bank [illegible] justify [illegible] government.

Yesterday financial markets seemed [illegible] projections. [illegible] gilts [illegible] equities [illegible] cheap if they are right. Gilts were factoring in excessive inflationary expectations, [illegible] equities could sustain higher ratings if price rises are contained. But the excitement may be premature. The [illegible] be waiting for [illegible] signs [illegible] short-run inflationary pressures to push through a rate rise. By the time these appear it may be too late to achieve its medium-term objective.

FT-SE Index: 3157.5 (+60.1)



Source: FT Graphite

National Westminster

There [illegible] of looking [illegible] National [illegible] 14 [illegible] dividend [illegible]. [illegible] that [illegible] is an attempt [illegible] offset last year's relative stinginess, which was badly [illegible] by [illegible] market. The [illegible] genuine signal [illegible] in improving profits. [illegible] have [illegible] ring [illegible] plausibility. Although the bank's trading surplus fell 9 per cent during the first half, provisions are lower than the market expected and there are some outstanding bright spots, notably in the Lombard finance division and in the US where loan demand is growing and margins are widening. Whether this is sufficient evidence that the bank has really turned the corner is another matter.

Although there is room for provisions to fall further, there must be questions over the pace. The 42 per cent drop in the first half – which happily helped finance the dividend rise and leaves tier one capital at exactly 6 per cent – is much larger than the fall in loans on which interest is not being accrued. As for the weak trading surplus, it is too easy simply to blame this on weak UK loan demand which is affecting all banks. Yesterday's figures leave room for doubt about NatWest's grip on costs.

This is not only true of UK retail banking where trading profits fell by 5 per cent and the bank itself admits that further cost cutting is needed. Despite a commendable increase in dealing profits, the trading surplus at [illegible] actually [illegible] by 22 per cent in the first half. Presumably NatWest is happy to let costs rise as the [illegible]. But [illegible] urgently needs to show that its investment can earn [illegible] decent return.

BP

Companies only announce [illegible] they know [illegible] can meet, claim [illegible] downplay [illegible] BP's achievement [illegible] the past [illegible] years. At the time though, there were many who doubted the targets could be hit at all, let alone [illegible] year early. Yesterday Mr David Simon, chief executive, [illegible] the recovery programme virtually complete [illegible] company announced second quarter figures [illegible] ahead [illegible] expectations.

[illegible] exploration and production numbers were particularly [illegible] with second quarter [illegible] those a year earlier in [illegible] a barrel [illegible] in the oil price. The 27 per cent increase over [illegible] quarter, on the back of [illegible] $1.50 price rise to $15.41, [illegible] what might be in store if the Nigerian strike escalates.

Yet the shares [illegible] only in line with [illegible]. The sharp downturn in [illegible] refining was certainly unsettling as [illegible] about margin [illegible] in chemicals, though shares in Shell, which is more [illegible] on downstream [illegible] flinch. A more fundamental question now [illegible] quite where BP goes from here. With healthy [illegible] flow [illegible] debt [illegible] fall [illegible] $10bn, [illegible] alter the balance between debt-reduction, investment and dividends. It [illegible] it [illegible] in no hurry [illegible] crank up investment and can accommodate current [illegible], including expansion [illegible] Europe, Indonesia and China, [illegible] a year budget. That [illegible] ample [illegible] rebuild the dividend, while the [illegible] still look [illegible] in [illegible] earnings. Those who question [illegible] ability to [illegible] another $1bn [illegible] profit should remember what happened [illegible] the doubters [illegible] time.

European equities

London was [illegible] the only equity market in holiday mood yesterday. But [illegible] strength of European bourses [illegible] not a one-day wonder. While [illegible]tively thin trading volumes played a part, [illegible] had already [illegible] by [illegible] per cent and Paris by more than 10 per [illegible] from troughs at the end [illegible] June. Optimism [illegible] the [illegible] – confirmed by yesterday's strong June industrial output figures [illegible] western Germany – [illegible] underly[illegible] cause.

Since [illegible] European [illegible] still below [illegible] levels reached early in [illegible] year and earnings forecasts [illegible] higher, [illegible] could be further [illegible] to come. [illegible] speed [illegible] recovery [illegible] cyclical European companies now look likely to report peak earnings in 1996/97, [illegible] full [illegible] earlier than anticipated. [illegible] valued by [illegible] multiples of peak earnings – such as chemicals – have shown particularly strong gains as [illegible] result.

Even so, investors will [illegible] looking to half-year [illegible] for reas[illegible]. Euphoria should also [illegible]pered by the knowledge that upsets in bond or [illegible] markets [illegible] again spill over into equities. While US interest rate rises should be less troublesome [illegible] now on, problems could arise [illegible] higher and the dollar [illegible] strengthen, for example, US fund man[illegible] be tempted to take [illegible] on European [illegible].

فكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
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Wednesday August 3 1994

IN BRIEF

Hafslund Nycomed interim profits fall

Hafslund Nycomed, the Norwegian pharmaceuticals and energy group, saw first-half pre-tax profits fall to NKr651m ($92m) from NKr782m after bond losses and higher research and development costs. Page 16

Qantas and BA co-operate further
Qantas, the Australian airline, and British Airways, which holds a 25 per cent interest in the federally-owned carrier, have agreed to step up "co-operation" on services between Australia and the UK. Page 17

Rodamco buys shopping centres
Rodamco, the international property arm of the Dutch pension fund Robeco Group, has acquired two of Spain's largest shopping centres in a Pta12bn ($92m) deal. Page 16

Foreign banks gain entry to Mexico
Twenty foreign banks plan to open up subsidiaries in Mexico this year. Mexico agreed to open up its banking sector under the North American Free Trade Agreement. Page 18

Stockholm bourse plans direct trade
The Stockholm Stock Exchange has taken the first step towards enabling London-based members to trade directly on the bourse through its electronic SAX system, instead of through a Swedish-based broker. Page 16

Cowie up 32% with rising car sales
Cowie Group, the UK car leasing and motor trading company, yesterday announced a 32 per cent increase in half-year profits following a sharp rise in car sales and fall in interest costs. Pre-tax profits rose from £15.5m to £20.5m ($13.3m). Page 20

Half-time gain at Yorkshire Chemicals
Yorkshire Chemicals, the UK dyes and specialist chemicals manufacturer, shrugged off the effects of depressed prices and intense competition by yesterday reporting a 19 per cent increase in half-year profits to £7.17m ($4.68m). Page 19

Raglan in £20m rights issue
Raglan Properties, the property development and investment company, yesterday announced its second rights issue [illegible] nine months, to raise funds to pay for the acquisition of [illegible] £96.7m ($63.2m) property portfolio. Page 19

Clark makes offer
C&J Clark, the family-owned shoe company which last year rejected a bid from Berisford International, has made an offer to take over Milwards, the Reading-based shoe retailer. The move comes ahead of [illegible] possible flotation of Clark – perhaps as early as next year. Page 19

WPP [illegible] for sale
The syndicate of banks which acquired shares in WPP, the marketing services group, in a $271.6m debt-for-equity swap in 1992, is gearing up to sell its interests from September 1. Page 20

Burton closes discount stores
Burton, the UK clothing retail group, is closing its 79 [illegible] IS [illegible] before Christmas, at an expected cost of £20m ($13m). Burton expects to make an operating loss of about £5m this year. Page 16

Companies in this issue

Market Statistics

Chief [illegible] changes [illegible]

FRANKFURT (DM)			
Rises			
Bayer	372.8	+	8.5
Degussa	506	+	15.5
Douglas Hld	510	[illegible]	14
[illegible]	358.5	+	12.8
[illegible]	390	+	21
Varta	315	+	14.5
NEW YORK ($)			
Rises			
Fed Paper Board	26¾	+	[illegible]
Georgia Pacific	67⅞	+	2
Intl Paper	75⅝	+	[illegible]
Nat Semi	27⅜	+	1⅛
Falls			
LTV	16⅞	–	[illegible]
Physicians Corp	10⅞	–	2⅞

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Accor	[illegible]	+	[illegible]
Canal Plus	[illegible]	+	21
Danone	[illegible]	+	31
[illegible]	605	+	[illegible]
[illegible]	510	+	27
[illegible]	762	–	30
TOKYO (Yen)			
Rises			
Banyu Pharm	938	+	25
Fuji Spin	548	+	27
Heiwa Real	885	[illegible]	[illegible]
Iwatsu Elec	674	[illegible]	[illegible]
JEOL	[illegible]	+	35
Toshiba	776	[illegible]	[illegible]

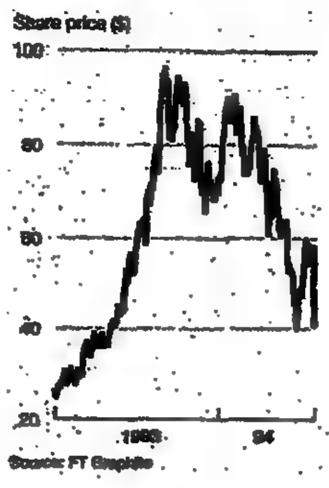
LONDON (Pence)			
Rises			
Aran Energy	25½	+	2½
Bowater	463	+	[illegible]
Burton	58½	[illegible]	[illegible]
[illegible] Comm	90	[illegible]	[illegible]
[illegible] Eyeglass	18½	+	30
GUS	2[illegible]	+	10
Great Southern	[illegible]	+	50
Havelock Europa	177	+	8
Holiday Chem	[illegible]	+	13
ICI	800	+	23
Midland Bank	420	+	12
Pilkington	230	+	[illegible]
[illegible]	613	+	24
Scott Pickford	56	[illegible]	[illegible]
Thorntons	185	+	7
Trafalgar House	[illegible]	+	[illegible]
Trans World	178	+	11
Warburg (SG)	769	[illegible]	25
Wetherspoon (JD)	395	+	19
Yorkshire Chem	421	+	[illegible]
Falls			
Cowie	236	–	12
Forward Group	215	–	[illegible]
Hull Trg	180	–	13
Lionheart	7	–	1½

Newbridge Networks warns that first-quarter earnings have fallen short of market expectations

Canadian high-flyer takes tumble

Newbridge Network

Share price ($)



Source: FT Graphite

By Bernard Simon in Toronto

Shares in Newbridge Networks, until recently one of North America's highest-flying technology companies, lost almost a third of their value yesterday after the company warned that first quarter earnings would not match analysts' expectations.

Ottawa-based Newbridge has emerged in recent years as a [illegible] in the development of asynchronous mode [illegible] (ATM) switches and frame relay equipment. These products provide a crucial link [illegible] the growing [illegible] of interactive [illegible] tion across telephone lines and computer networks. Newbridge [illegible] to have captured [illegible] half [illegible] for ATM [illegible] switches. Its customers include phone companies, government agencies and universities.

Newbridge shares tumbled by C$18½ on the Toronto Stock Exchange [illegible] C$39⅞ in the early afternoon. They reached a peak of C$97.50 a year ago, but have gradually lost ground since then in line with investors' general disillusion with the high-technology sector, and concerns that Newbridge's share price exaggerated its earnings potential. At its peak, the share price was equal to more than 60 times earnings.

The share price shakeout follows Newbridge's announcement [illegible] earnings [illegible] months to July would fall short [illegible] US [illegible] per share posted in [illegible] preceding [illegible].

However, [illegible] that earnings for the quarter – to be published on Aug 23 – [illegible] be higher than last year's first-quarter [illegible] 30 cents [illegible] share. While revenues, orders and quarter-end backlog have all broken new records, these have been offset by higher expenses. The jump in costs was ascribed to expanded research and development staffing [illegible] "very busy" trade show and advertising programme.

Mr Terry Matthews, Newbridge's chief executive and largest single shareholder. He was a co-founder in the 1970s of Mitel Corporation, the Canadian [illegible] phone equipment maker, which initially enjoyed a phenomenal period of growth but suffered [illegible] financial problems in the [illegible].

Mr Matthews left Mitel in [illegible] joined Newbridge shortly [illegible].

Newbridge's [illegible] have more than quadrupled [illegible] four years. Although the growth rate is expected to slow, Wood Gundy said that annual demand for its advanced network systems will continue to grow by at least 40 [illegible] cent [illegible] next [illegible].

Newbridge [illegible] launch [illegible] second-generation ATM [illegible] later this year with [illegible] times [illegible] capacity [illegible] existing product.

BP's 40% rise beats forecasts

By Robert Corzine in [illegible]

British [illegible] yesterday exceeded analysts' expectations with [illegible] quarter profits of [illegible] ($519m), more than 40 per cent up on the same period last year in spite of lower oil prices.

The company's first-half profits – on a replacement cost basis – rose from £471m to £640m. Its [illegible] 7p higher [illegible] 418½p.

[illegible] strong second quarter performance [illegible] attributed [illegible] productivity, lower costs and volume growth. [illegible] achieved against a background of oil prices $3 [illegible] barrel lower than the same period last year and intense competition in downstream markets, according to Mr David Simon, chief executive.

He said BP had effectively achieved its goals set two years ago. These were to: reduce debt by $1bn a year; increase replacement cost profits to $2bn a year; and keep annual capital spending below $5bn.

Mr Steve Ahearne, finance director, said disposals were on course to raise £1bn-£1.5bn this year. Positive underlying cashflow allowed BP to repay $336m in debt in the second quarter and total debt had fallen to $11.4bn from [illegible] peak in 1992 of more than $16bn. Gearing was down to 70 per cent.

Executives were optimistic that all BP's market segments would enjoy some improvement in the second half. Exploration and production profits rose 27 per cent from the previous quarter to £479m, boosted by increased oil and gas output, stronger oil prices and cost savings.

Refining and marketing margins suffered, however, as crude prices rose. Profits of £133m were well down on £228m in the first quarter and £197m last year.

The economic recovery in the US and Europe helped to lift chemical earnings to £45m, from a £23m loss, although executives described the cyclical upturn in chemicals as "hesitant".

The company reported a structural change in its tax position which should result in its effective tax rate falling by as much as 10 percentage points, to the mid-to-high 30 per cent band.

Earnings per share rose to 6.1p, from 5.6p in the first quarter and 4.4p last year. A dividend of 2.5p was announced, the same as the first quarter but up from 2.1p a year ago.

Lex, Page 14

Smurfit doubles European operations

By Peggy Hollinger in London and David Buchan in Paris

[illegible], the Irish paper and packaging group, is more than doubling the size of its European operations with the purchase of Cellulose du Pin, the paper and packaging operations of Compagnie de Saint-Gobain, the French glass and building materials group in a deal worth FFr5.63bn ($1.05bn).

Cellulose du Pin, [illegible] has operations in France, Italy, Spain [illegible] Belgium, produces recycled [illegible], corrugated boxes, coated [illegible] and [illegible].

The purchase will propel Smurfit to the number one position in the European corrugated industry and extend its market leadership in paper and packaging to France and Italy. The group's combined European operations will have sales of £1.4bn.

Smurfit is taking on debt of up to FFr2.9bn as part of the consideration. The balance of the FFr2.73bn will be paid to Saint-Gobain, half on completion and the rest in two annual tranches. Mr Michael [illegible], chairman and [illegible] executive, said the company was examining ways [illegible] financing the acquisition.

Initially, Smurfit [illegible] fund the purchase through a combination of [illegible] and [illegible]. He said the deal would give his company a "major position in France, where until now we have had only modest representation".

[illegible] said [illegible] du Pin, [illegible] lost FFr1.1bn on turnover of FFr8bn, would be better off with [illegible] world-scale paper operation like Smurfit. Saint-Gobain said it was too early to say how it would use the FFr900m capital gain from the sale.

NatWest talks tough after 83% advance

By John Gapper, Banking Editor

National Westminster Bank, the UK's second largest bank, yesterday said it would fight to protect its share of lending amid growing competition, and indicated that it would respond to rivals' price [illegible].

The pugnacious [illegible] accompanied the [illegible] of an [illegible] per cent rise in [illegible] pre-tax [illegible] to £767m ($1.2bn), against £419m, driven by a big fall in provisions for bad debts.

NatWest raised its interim dividend 14 per cent to 7.3p, against 6.4p. The shares gained 17p to 470p.

Slack demand led to customer loans and advances falling to £81.7bn from £85.7bn in June 1993. Mr Derek Wanless, chief executive, said there were signs of demand picking up.

"Parts of the UK market are very difficult. We have got a strong [illegible] share [illegible] we [illegible] not intend to lose it," he said. He indicated that [illegible] respond [illegible] Abbey National's [illegible] in [illegible] lending [illegible].

Bad debt provisions fell to £370m [illegible]. Provisions in UK branch banking more than halved to £216m.

But operating income was flat at £3.45bn, against £3.47bn. Profits at NatWest Markets, its [illegible]rate and investment banking arm, fell [illegible] £201m, against [illegible] in poorer trading conditions.

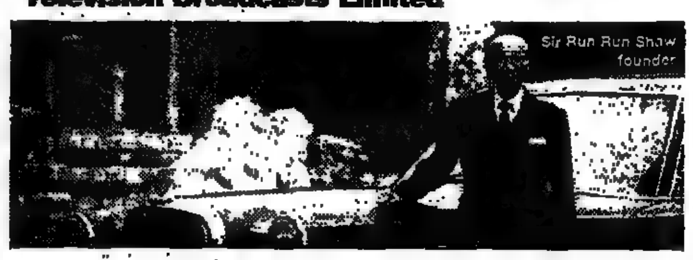
NatWest met its target of 17.5 per cent return on equity for the first time since 1988, with an annualised return of 18.1 per cent.

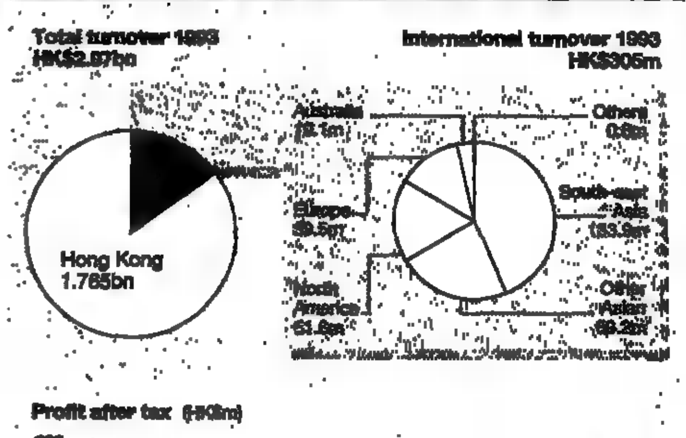
It achieved a 6 per cent tier 1 ratio of [illegible] capital to risk-weighted assets. Earnings per share rose to 30p, against 12p.

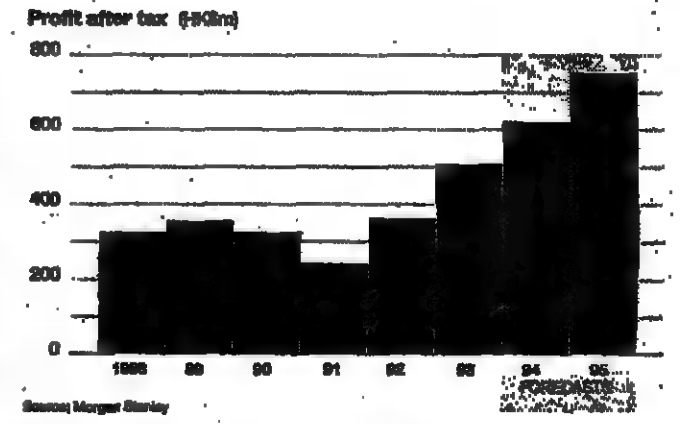
[illegible] NatWest Bancorp, the US retail bank, rose 30 per cent to £117m.

Lex, Page 14

Television Broadcasts Limited







Source: Morgan Stanley

Good view into HK

This [illegible] it [illegible] revealed that Pearson, the UK media and entertainments group, has been in discussions with Television Broadcasts' shareholders – believed to be Malaysian financier Mr Robert Kuok who owns 24.5 per cent of the company – about the possible £150m ($230m) purchase of up to 10 per cent of TVB. Discussions have reached an advanced stage, although Pearson has declined to comment beyond confirming that talks had taken place.

Star of Chinese TV, Page 17

Barry Riley

Airline cracks in the French financial facade

I can write about France in the confident expectation that the French all went on their *vacances* last weekend and won't be reading this. I have memories of upsetting the Italians last autumn when I unkindly suggested that the pio[illegible]ing Italian 30-year bond, then being launched into the heady climax of the global bull market in bonds, might not prove a very good investment. Indeed, [illegible] yield on the bonds has gone up from under 10 to 11¼ per cent.

As [illegible] Italians [illegible] from [illegible] the French [illegible] an impres[illegible] financial revival. [illegible] is it [illegible]?

[illegible] extraordinary bail-out [illegible] Air France last week through the injection of FFr20bn ($3.73bn) of government money demonstrated just how far the French still are from being comfortable European partners with [illegible] notion [illegible] what a level playing field might be. In the past 10 [illegible] the French have [illegible] their financial reputation by tenaciously pursuing [illegible] relationship with [illegible]many at the heart of the EU. [illegible] stayed glued [illegible] the [illegible] sterling [illegible] the lire [illegible]. It [illegible] still just within the [illegible] per [illegible] bands [illegible] the D-Mark.

But the [illegible] been a [illegible] in unemployment [illegible] nearly [illegible] per cent (against [illegible] per cent in Germany) and [illegible] serious deterioration in [illegible] country's finances. The [illegible] government last [illegible] crashed [illegible] electoral disaster. The unemployment issue [illegible] to figure much more prominently in next year's presidential election and is likely to increase political risks in the French bond market.

Although the fiscal deficit of 6 per cent is not alarming by current European standards, it is also necessary to take into account (as with Italy) the unfunded liabilities of the bankrupt *répartition* pension schemes.

The French authorities are heavily dependent upon foreign finance: foreigners own nearly 40 per cent of French government bonds. That may explain why a few weeks ago I was asked to take part in a strange telephone opinion poll commissioned by the French government. International opinion leaders (flattery will get you anywhere) were being asked to give their views on France's financial reputation.

> **It is hard to see that France can stay credibly on a convergence path**

The dominance of *dirigisme* was suspect, I said. But you had to admire the ability of the French to cash in on agriculture, arms and subsidised aviation.

The results of the survey might be published, I was told, if they were favourable. I never heard any more. But I pondered on some of the more silly questions, such as, which was the animal that most struck me as typically French in character?

I chose a racehorse, on the grounds that it was stylish but could not always beat long odds.

The 10-year French bond yield got down to parity with its bund equivalent last year, but this year the differential has widened again to about 45 basis points. Inflation is low. But the budget deficit has increased substantially and fiscal tightening will be required in September's budget. The financial ratios are spiralling out of reach of the Maastricht limits, and though temporary breaches may be solved through a Eurofudge it is hard to see that France can stay credibly on a convergence path for much longer.

As for the subsidy issue, the point is not just that the Air France injection will distort the international airline industry but also that the French government will have to find the money. At the same time the ambitious pri[illegible] programme could [illegible] disrupted by growing political uncertainty.

As the German economic powerhouse begins to revive on a growing diet of exports, France will have to test its internal economic consensus to the limit.

Back in London, I have been taken to task by the Bank of England for suggesting last week that the Bank had not taken advantage of last year's bull market to issue its own Italian-style long bond.

Indeed, I had overlooked the issue on January 26 of a 16-year gilt yielding 6.4 per cent. The bond now returns 8.4 per cent so the Bank did well for British taxpayers, but perhaps a 30-year gilt would have exploited the conditions even better. The Italians win on points.

Barry Riley will resume this column on September 14

Bond losses and R&D costs take toll on Hafslund

By Christopher Brown-Humes in Stockholm

Hafslund Nycomed, [illegible] Norwegian pharmaceuticals and [illegible] group, [illegible] first-half pre-tax profits fall to NKr651m ($92m) from NKr782m [illegible] bond [illegible] higher research and development [illegible].

However, the group is sticking to [illegible] earlier [illegible] pre-tax profits [illegible] full year would match last year's NKr1.57bn.

This is in spite of the threat of higher interest costs in the second half, following the group's June [illegible] buy [illegible] diagnostic imaging business [illegible] US-based Sterling Winthrop for $450m. The acquisition will make Hafslund the world leader in the diagnostic imaging field.

The [illegible] in [illegible] group's financial performance was [illegible] main reason for [illegible] *first-half downturn, although* [illegible] profits [illegible] lower, [illegible] compared with NKr741m.

[illegible] a [illegible] financial [illegible] for [illegible] period [illegible] NKr73m, after [illegible] NKr42m gain in 1993. [illegible] on bonds restricted overall income on the company's [illegible] *portfolio* [illegible] NKr3m, down from NKr115m in 1993.

Operating [illegible] to NKr3.50bn [illegible] NKr3.15bn, while [illegible] profit [illegible] and development [illegible] NKr1.11bn, against NKr1.10bn. [illegible] and development rose [illegible] from NKr361m.

Nycomed Imaging saw operating profits before research costs fall to NKr736m from NKr806m, as revenues tumbled to NKr1.21bn from NKr1.28bn. Bulk sales of iohexol to licensees were 15 per cent lower, due to cyclical variations in sales patterns and general price [illegible] in the US.

By contrast, [illegible] strong performance from Nycomed Pharma, where [illegible] profits [illegible] development [illegible] rose [illegible] NKr241m, helped by cost-cutting.

Hafslund Energi, benefiting from higher trading activity, increased operating profits to NKr116m from NKr106m.

Hugo Boss advances 17% in first half

By Christopher Parkes in Frankfurt

Net earnings at the Hugo Boss male fashion group rose 17 per [illegible] in the [illegible] half of the current year, the company said yesterday.

The result, bolstered by increased income from *licences*, [illegible] *spite* [illegible] per [illegible] decline in turnover [illegible] DM395m. Margins [illegible] helped by [illegible] production outside Germany.

The company recently [illegible] one [illegible] its [illegible] remaining German plants, moving production to cheaper suppliers, mainly in eastern Europe.

[illegible] sales, affected by shrinking real incomes, fell 8 per [illegible] to DM160m, [illegible] there was a similar fall elsewhere in Europe to DM128m.

However, the Americas saw [illegible] 6 per [illegible] and [illegible] marked increase in Asia, the company [illegible].

Boss, which [illegible] record earnings [illegible] DM76.5m [illegible] to exceptional [illegible] worth a [illegible] DM28m, [illegible] full-year earnings this time would [illegible] slightly under 1993's underlying profits of DM48.6m.

The [illegible] said it expected turnover to increase slightly [illegible] international [illegible] nomic prospects brightened, and [illegible] the year [illegible] DM846m recorded in 1993.

Pargesa emerges from the gloom under a new guise

The Swiss group's investment strategy is now concentrated on francophone Europe, reports Ian Rodger

P[illegible], the [illegible] investment [illegible] trolled by Mr Albert Frère, [illegible] Belgian financier, *and Canada's Mr Paul Desmarais*, has emerged from nearly four years of purdah following [illegible] noisy departure [illegible] Gérard Eskenazi, *former* chairman, in 1990.

Today's Pargesa bears little resemblance to the high-flying financial and industrial combine of the 1980s with stakes in Drexel Burnham Lambert, the failed US junk bond specialist, and Henry Ansbacher, the ill-starred UK merchant bank, and a plethora of other companies in sectors from tobacco to railway sleeping carriages.

The new Pargesa, according to Mr Aimery Langlois-Meurinne, chief executive, is concentrating on 10 industrial and financial holdings in francophone Europe. The most important are CLT Multimedia, owner of the RTL television and radio networks, and Petrofina, the Belgian oil group.

It aims to hold and exert strategic [illegible] *an* [illegible] *influence* [illegible] smallish minority stakes.

The idea is to convince investors that Pargesa is a value-adding corporate governor for the long term, worthy of a better fate than having its shares trade at a 25 per cent discount off net asset value.

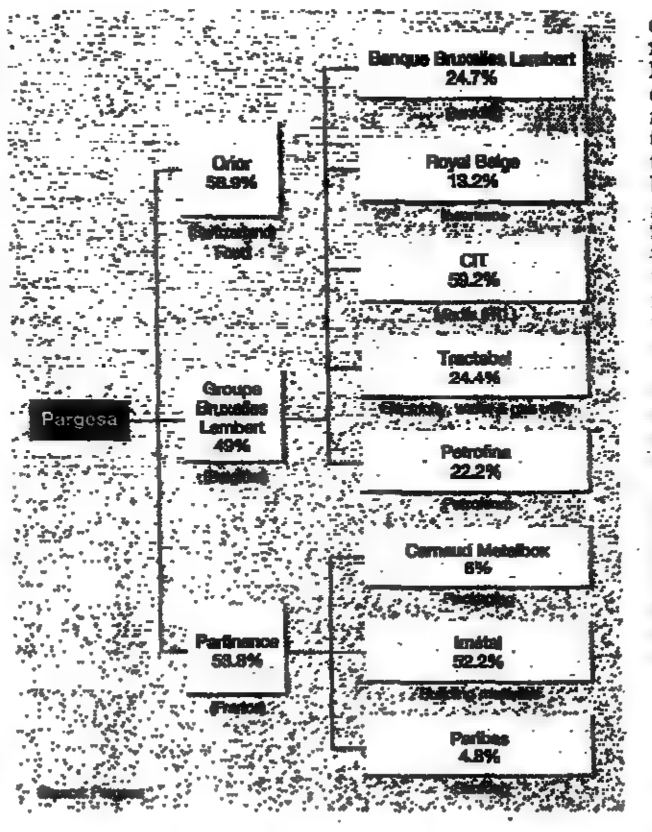
All this is a long way from the secretive group that was set up in Geneva in 1981 by Mr Eskenazi, then deputy managing director of Compagnie Financière de Paribas, and Mr Frère to prevent the Swiss and *Belgian subsidiaries of Paribas* from being nationalised by the French government.

Within a few months of its launch, Pargesa pulled off its most important coup, buying a blocking minority position in the venerable Groupe Bruxelles Lambert of Belgium for BFr2.6bn ($77.4m). GBL's main holdings – Banque Bruxelles Lambert, Petrofina, the Tractebel electric utility, CLT and Royale Belge, the insurer – remain among Pargesa's core assets.

Through the 1980s, Pargesa expanded rapidly, with Mr Frère following industrial opportunities, mainly in Belgium, and Mr Eskenazi buying up banks in Luxembourg, the UK and the US. By 1989, the group had consolidated equity of SFr1.9bn ($1.4bn).

Tensions developed as Mr Eskenazi, who dreamed of creating an international federation of banks, tried to associate Pargesa more closely with *the re-privatised Paribas*. Mr Frère and Mr Desmarais, who had been brought in as a core investor in Pargesa in 1982 by Mr Eskenazi, saw their influence would wither under such a scheme. So they joined forces, raised their combined stake to more than 50 per cent and pushed Mr Eskenazi out.

Since then, all Pargesa's bank holdings have been sold,



with the notable exceptions of Paribas and Banque Bruxelles Lambert.

Investments in the French Schneider electrical engineering group, in Compagnie Internationale des Wagons Lits and Rinsoz & Ormond Tabacs have gone. On the other hand, Pargesa's stakes in GBL and its French and Swiss sub-holding companies have been raised to effective controlling levels, and last year the group purchased a 6 per cent stake in Carnaud-Metalbox, the French packaging group.

Mr Langlois-Meurinne concedes the group's portfolio has no sectoral logic, but neither is Pargesa a traditional conglomerate in that it will not shift resources from one subsidiary to another. He would not like the number of core holdings to be much larger than 10. Geographically, Pargesa has pulled in its wings from the US and the UK. "We are trying to understand Germany and German-speaking Switzerland, but we start from a low base," he said.

Many of Pargesa's holdings are structured in the French style, reflecting complex alliances that are difficult for outsiders to appreciate fully.

For example, the controlling 52.4 per cent stake in Royale Belge is held jointly by GBL and UAP, the French insurance group. To help keep relations with UAP sweet, Pargesa joined the group of core investors when the insurer was privatised last year, buying a [illegible] per cent stake for over FFr1bn.

In another [illegible] links, [illegible] still [illegible] 15 per cent of Pargesa and Pargesa holds 5 per cent of Paribas. Meanwhile, Paribas and UAP both have stakes in CLT.

It is still too early to judge the performance of the new Pargesa. Net earnings have been on a downward trend, to SFr159.4m last year from a 1990 peak of SFr197.9m. But this is due to the decline in capital gains from disposals.

Aggregate earnings of core holdings have been rising briskly, [illegible] net asset value – now just above SFr2,000 per share compared with SFr1,483 at the end [illegible]. Investors have long appreciated Pargesa[illegible] high dividend payout ratio, and Mr Langlois-Meurinne says this will continue.

There has been nervousness about the possibility that Mr Frère and Mr Desmarais, both aggressive entrepreneurs, might steer Pargesa too closely towards their other interests. Mr Langlois-Meurinne notes that a few institutional shareholders have acquired significant minority stakes, and Mr Desmarais and Mr Frère know they are being watched carefully.

The Public Institution for Social Security of Kuwait has 5 per cent and the Ontario Municipal Employees Retirement System, the Caisse des Dépôt et Placements du Québec, and a large UK pension fund each have 3 per cent.

Individual investors should look at the rollercoaster ride of Pargesa in the past decade. The shares peaked in 1987 at SFr2,426 then more than halved in the autumn crash of that year. After climbing back to SFr1,900 in early 1990, they plunged again in the wake of the Drexel collapse and Mr Eskenazi's departure to a low of SFr889 in early 1991. They began to recover late in 1992 and have been on a rising trend ever since.

Swedish bourse in London move

By Hugh [illegible] in [illegible]

The Stockholm Stock Exchange [illegible] London-[illegible] directly on [illegible] through its electronic SAX system, *instead of through a Swedish-based broker.*

The exchange said it had approached the British Securities and Investment Board for the conditions to allow direct trading from London.

The move follows last week's approval [illegible] applica[illegible] by the Paris [illegible] and the Paris-based Monep options exchange, which became the first European exchanges to gain permission to operate in London. Several North American exchanges and the Sydney futures exchange do so.

The Stockholm bourse said it wanted to ensure that it remained the main forum for trade in Swedish stocks as the *extension of technology and* deregulation broke down traditional restraints on [illegible].

[illegible] 1996, no official approval will be required within the European Union for member's exchanges to operate in other member states. Sweden is due to join the EU next [illegible] if membership is approved in a referendum in [illegible].

Two Danish and one Norwegian member of the Stockholm exchange trade through SAX from their bases in Copenhagen and Oslo.

Stockholm has three other foreign members, one each from France, the UK and Switzerland, and wants to attract more. *Since the last restraints* on foreign buying of Swedish stocks were dropped at the end of 1992, foreign investment has grown. More than one-quarter of the value of Swedish equities are foreign-held.

The stock exchange said direct trading from overseas would hit Swedish-based brokers, but it believed overall volumes traded would rise.

Athens to sell telecoms stake in November

The Greek government is to float 25 per cent of the Greek Telecommunications Organisation (OTE) in November, Reuter reports from Athens.

According [illegible] government *officials the majority of the 25* per cent stake will be sold abroad as private placements with [illegible] to be floated [illegible] Athens [illegible].

A bill allowing the sale is to be presented in parliament before the municipal elections, [illegible] first round of which is [illegible] for October 16 with a second round on [illegible] 23.

SCI funerals raises its stakes in bid for rival

By Simon Davies in London

Service Corporation International, the world's largest funeral company, yesterday [illegible] for [illegible] Southern *Group* from 600p to 680p, and purchased a further 16.5 per cent of the UK company's [illegible] in the stock [illegible].

Great Southern urged share[illegible] no action before it considered a response. However, after buying 1.96m ordinary shares and 3.87m convertibles yesterday, SCI controls 27 per cent of [illegible] Southern's fully diluted share capital.

In spite of the speed with which SCI has built up its stake, the outcome of this bitter battle between strongly *contrasting companies still* hangs on the decision of the Field family, which has been in the burial business since 1690.

J.D. Field owns 56 per cent of Great Southern's shares, and although 70 per cent of the private company is owned by trusts related to the Field family, the family own enough shares directly to block any acceptance by trustees.

Investors switch on to star of Chinese TV

Television Broadcasts is more than just a popular network, writes Simon Holberton

Television Broadcasts (TVB) is viewed as not only an excellent portfolio investment – with earnings per share forecast to grow by 15 per cent for the next three years and a balance sheet clean of debt – but also the best vehicle for a foreign media company to ride the expected growth in Asian media during the coming decades.

This explains why Mr Rupert Murdoch's News Corporation and Time Warner, the US media group, have both looked at taking an equity interest in the Hong Kong broadcaster.

Mr Murdoch opted instead for control of Star Television, the Hong Kong based satellite-TV network, rather than partnership with TVB, while Time Warner seems likely to seek an alliance with TVB in its satellite operations, according to industry executives. They say Time Warner could not afford the entry price for an equity stake.

This week it was revealed that Pearson, the UK media and entertainments group whose interests include the Financial Times, has been in discussions with TVB shareholders – Malaysian financier Mr Robert Kuok owns 24.5 per cent of the company – for [illegible] months.

[illegible] about the possible £150m ($98m) purchase of up to 10 per cent of TVB have reached an advanced stage, although Pearson has declined to comment beyond confirming that talks have taken place.

If Pearson can clinch the deal it will be in a position where, through its joint venture with the British Broadcasting Corporation and its stake in TVB, it partners the world's largest producers [illegible] English-language and Chinese-language television [illegible].

The key [illegible] with [illegible] BBC venture, however, [illegible] TVB [illegible] that [illegible] from [illegible].

TVB's strength rests on its stranglehold of Hong Kong's [illegible] market, where [illegible] enjoys [illegible] 72 per cent share of [illegible] audience. The [illegible] maintains this enviable position by producing original television drama, soap operas and comedy with home-grown "stars" who [illegible].

Its penetration into southern China has become a particular [illegible] in both Hong Kong and China.

[illegible] are often [illegible] on TVB [illegible] are available only to consumers on the mainland.

The audience in southern China – [illegible] Shenzhen to Guangzhou – is estimated at some 3m. But it has the potential [illegible], given that the population of the Pearl River Delta is more than 25m.

Revenues from Hong Kong accounted for 80 to 85 per cent of pre-tax profits of HK$591m (US$76.5m) in [illegible] and are expected to underpin the company's financial performance for the foreseeable future. Pre-tax and operating margins are strong, at around 30 per cent last year.

TVB's penetration into southern China has become a particular attraction to advertisers in both Hong Kong and China

Analysts believe that TVB's position in Hong Kong is secure, even with the increased competition that has come from cable-TV, through Wharf Cable, and Mr Murdoch's Star TV.

Wharf Cable delivers 11 channels in Cantonese, the predominant dialect in Hong Kong, but suffers from poor programming. Star TV is not permitted to broadcast in Cantonese until 1996.

TVB's strength in programming – it produces about 5,000 hours of television drama, soap operas and comedy a year – is also one of its most important assets and the secret to its future.

It [illegible] and most efficient producer [illegible] Chinese-language television.

In [illegible] region where TV capacity is being added by new, high-powered satellites almost daily, it [illegible] the programming, or software, provider that stands to win the most.

Kleinwort Benson, the UK investment bank, [illegible] that TVB has a library of useable material of between 25,000 and 35,000 hours. Industry executives say the figure is nearer [illegible] hours from the company's library [illegible] hours of [illegible].

"[illegible] for programming [illegible] becoming chronic," [illegible] media [illegible].

"TVB [illegible] the [illegible] beneficiary."

The company dubs its Cantonese programmes into Cambodian, Mandarin, Thai, Vietnamese, Korean and Malay. It may soon go into Indonesia as well, where it has a promising venture with the Salim group, Indonesia's largest Chinese-owned group, in a local television station.

The company's main strategy, however, is to exploit its dominance in Chinese-language programming.

In Taiwan, it has 62 per cent [illegible] a joint venture with Fu Long, [illegible] country's leading production house, which makes several hundred hours of talk shows and comedies for broadcast on its Mandarin satellite channel.

TVB also has satellite ambitions. [illegible] September last year it has broadcast via satellite [illegible] most [illegible] Taiwan's cable-TV providers. The company [illegible] keen, however, [illegible] develop its Galaxy satellite-TV network.

It is expected to announce soon the launch of Galaxy, which will bring together the Mandarin channel now seen in Taiwan, a TVB movie channel, western films through Home Box Office, a children's TV channel from Time Warner and possibly others.

While Galaxy plans to use the Apstar 1 satellite, it is unclear whether the problems with [illegible] position in [illegible] will affect the network unduly.

In [illegible] event, it has [illegible] back-up on PanamSat which is due for launch next year.

Santander receives ratings reprieve after acquisition

By Tom Burns in Madrid

Spain's Banco Santander, which acquired the loss-making Banesto group in May for more than $2bn, received an important credit boost yesterday when Standard and Poor's, the US rating agency, left the bank's short-term debt and commercial paper qualification unchanged at an A1 plus rating.

Standard and Poor's, which had placed Santander on credit watch after the Banesto takeover, nevertheless marginally lowered the bank's long-term debt rating to AA minus.

In a more surprising move, Banesto, which will consolidate with Santander after next month, has been upgraded to A1 from A3 for commercial paper following its acquisition.

Citing its good management, diversification and profitability, the US rating agency said it continued to regard Santander as the leading Spanish bank.

It said [illegible] rating "related solely to the acquisition of Banesto".

IBCA, the London-based agency, meanwhile, lowered Banco Central Hispano for the second time in the past year, reducing its long-term rating from A plus to A and its individual rating from B/C to C.

The downgrade indicates balance sheet problems which could raise the possibility of moderate risk.

BCH last week reported a 19.5 per cent fall in its first-half net profits.

Thai refiner valued at Bt25bn

By Victor Mallet in Bangkok

Bangchak Petroleum (BCP), the first oil refiner and distributor to be listed on the Stock Exchange of Thailand as part of the country's privatisation [illegible], [illegible] valued at Bt25.32bn ($1bn) on the first day of trading in the shares yesterday.

BCP shares closed at Bt48.50, bettering [illegible] initial public [illegible] price [illegible] but [illegible] ing from yesterday's high of [illegible] disappointing second-quarter results.

After the flotation, 20 per cent of the shares are held by local and foreign investors, but the government retains control of the company: the finance ministry [illegible] cent, the Petroleum Authority [illegible] Thailand 24 [illegible] cent [illegible] Krung Thai Bank 8 per cent.

BCP recently expanded capacity at [illegible] refinery [illegible] Bangkok to 120,000 barrels a day from [illegible] b/d and [illegible] investing aggressively in [illegible] outlets around the country.

[illegible] latest financial results, however, disappointed investors. Figures released yesterday showed that net profit [illegible] only [illegible] per cent to Bt352.7m in the first half of this year from Bt330.4m a year ago.

Stockbrokers blamed heavy interest payments relating to BCP's expansion programme for the lacklustre performance, and said the cash from the initial public offering should reduce [illegible] for the [illegible] of [illegible] year.

Second-quarter [illegible] profit rose to Bt171.7m this year from Bt136.2m a year earlier, suggesting that the company's forecast of more than Bt830m in net profit for the whole year will be attainable only if net earnings improve sharply in the third and fourth quarters.

Qantas, BA boost route co-operation

By Nikki Tait in Sydney

Qantas, the Australian airline, and British Airways, which holds a 25 per cent interest in the federally-owned carrier, have agreed to step up "co-operation" on services between Australia and the UK.

This effectively ends [illegible] companies' half-decade of competition on the "Kangaroo route". The airlines conceded yesterday the changes were partly designed "to increase our return on assets". While the route has been a flagship service for Qantas, it has rarely made money.

The airlines said yesterday that, under the new arrangements, they would operate five daily services between Australia and Europe, three of which would be flown by Qantas and two by BA.

Qantas will operate twice-daily services linking Sydney and Melbourne with London. Five times a week, it will also fly between Sydney and Frankfurt, extending to Paris on three days. Twice a week, it will fly between Sydney and Rome.

BA will operate twice-daily services between London and Perth, and London-Sydney.

Yesterday's announcement represents the most significant operational change instigated by the companies since BA acquired its stake in Qantas for A$665m (US$493m) last year.

The plans require approval from Australia's Trade Practices Commission, the competition watchdog.

NEWS DIGEST

Asahi posts 17% pre-tax increase

Asahi Breweries, the second largest brewer in Japan, posted a 17.3 per cent increase in non-consolidated pre-tax profits to Y9.98bn ($100m) in the first half to end-June, on sales 7.7 per cent higher at Y375.8bn, writes Emiko Terazono in Tokyo.

The company said cost-cutting efforts and strong sales of beer and soft drinks helped boost profits, which at the after-tax level [illegible] 26.9 per [illegible] Y3.2bn. The interim dividend is being main[illegible] Y4 a [illegible].

Insurer advances

Cathay Life Insurance, Taiwan's biggest insurance [illegible], saw profits nearly double in the first month on the back [illegible] and real estate sales, writes Laura Tyson in Taipei.

Net profits for the year to June 30 were NT$6.75bn (US$255m), up 90 per cent from NT$3.55bn a year earlier. Revenues during the same period climbed 19 per cent to NT$94.32bn.

NZ Rail impresses

New Zealand Rail, which was bought last year by a consortium led by US-based Wisconsin Central Transportation Corporation, yesterday announced a tax-paid profit of NZ$38.86m (US$23.55m) for the year to June 30, up 130 per cent on [illegible] previous year's NZ$16.87m, writes Terry Hall in Wellington.

The company, which has overcome a long industrial dispute over manning levels and 24-hour operations for the Cook Strait ferries, said it intended to buy a high-speed ferry for the link between the north and south islands.

Foreign banks gain entry to Mexico

By Damian Fraser in Mexico City

Twenty foreign banks plan to open up subsidiaries in Mexico this year.

Mexico agreed to open up its banking sector under the North American Free [illegible] Agreement. Initially foreign banks are limited to holding 8 per cent of the sector's total capital, although [illegible] limit [illegible] increased to 15 [illegible] cent by 1999, and then abolished. Under Nafta rules, all banks not from [illegible] or [illegible] have to apply through US or Canadian subsidiaries.

Each bank is limited to 1.5 per cent of the banking capital and, like Mexican banks, has to make a minimum capital payment of 60m pesos ($17.6m). Finance ministry officials said last week that only a minority of banks would apply for the maximum permitted market share.

The government hopes competition from foreign [illegible] will reduce margins earned by domestic banks, and put pressure on interest rates. Foreign banks are expected to target the corporate rather than consumer sector.

US banks formed the majority [illegible] those that applied together with French, Spanish, German and Japanese banks. [illegible] UK bank applied, [illegible] the Mexican government's surprise.

The [illegible] sought authorisation are: Bank of Boston, Morgan Stanley, Bank of Tokyo, Banque National de Paris, Citibank, Chemical Bank, Bank [illegible] America, Chase Manhattan, First Chicago Bank, International Bank of Commerce, J. P. Morgan, NationsBank, Republic National Bank [illegible] York, ABM/Amro Bank, [illegible] Santander, Société Générale, American Express, Fuji Bank, ING Capital Holdings and Dresdner Bank.

They will be the first to offer full services in Mexico, with [illegible] exception of Citibank. Finance ministry officials have [illegible] that the [illegible] should [illegible] authorisation in [illegible] month or so, and be operating by the end of the year.

Bristol-Myers in sales link-up with Cephalon

By Daniel [illegible]

The traditional [illegible] industry and biotechnology company were reversed yesterday by US companies Bristol-Myers Squibb and Cephalon.

Bristol-Myers, [illegible] largest US drug company, is to share marketing [illegible] one of its drugs with Pennsylvania brain specialist Cephalon. Normally, the research strength of biotechnology [illegible] drugs [illegible] marketing expertise and it is the [illegible] side that seeks marketing [illegible] in [illegible] pharmaceuticals [illegible].

Under a renewable three-year agreement, [illegible] companies will [illegible] income-sharing agreement based on increased sales of a painkiller, Stadol NS, in the neurology market.

Cephalon will recruit a salesforce dedicated to selling Stadol NS in [illegible] nasal spray for the treatment [illegible] migraine headaches and other [illegible] of pain.

That salesforce would then [illegible] in place [illegible] Cephalon's products after their approval by regulatory authorities in [illegible].

ANI makes A$191m bid for tube maker

By Nikki Tait in [illegible]

Australian National Industries, the Sydney-based engineering company which owns the Aurora group in the UK, yesterday announced a A$191m (US$140.4m) bid for Palmer Tube Mills, another quoted Australian company which manufactures steel tube and pipe sections.

ANI is offering either all-paper terms, or a mixture of shares and cash. Shareholders can choose 72 ANI shares for every 100 Palmer shares held, or 64 ANI shares and A$13 cash for every 100 shares.

In order to meet the potential cash element of the bid, ANI is to place 32m new shares at A$1.80 each, raising A$57m.

Explaining the reasons for the bid, ANI said that the two companies had "compatible" interests in the steel production area, and that ANI's resources and technical know-how could enhance Palmer's performance.

However, Palmer responded coolly, saying [illegible] ANI had raised [illegible] bid possibility [illegible] recent discussions between the [illegible] companies.

"Now that the offer has been made, the board will give consideration to it," the company said.

Palmer's operations are split between Australia and the US, and it employs 250 and 290 people in [illegible] two [illegible] respectively.

[illegible] in the nine months to the end of March [illegible] A$235.7m, compared with ANI's A$1.1bn for the same period. Palmer's main plants [illegible] in Brisbane, Melbourne and [illegible]

Treasuries fail to react to housing data

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bonds made little progress yesterday morning, in spite of favourable economic data in the shape of a sharp contraction in the housing market.

GOVERNMENT BONDS

By midday, the [illegible] 30-year government bond was unchanged at [illegible] yield 7.388 per cent. At the short end, the two-year note was up [illegible] at 100$\frac{1}{32}$, to yield 5.956 per cent.

Initial reaction to the day's economic [illegible] was positive. [illegible] across the spectrum pushed higher after the Commerce Department announced that sales of new single-family homes had fallen 14.1 per cent in June to an annualised rate of 591,000, the lowest level in two years. Analysts had expected a more modest decline to a rate of [illegible] homes.

Most economists agreed that the downturn was powerful evidence of the impact of the Federal Reserve's moves to tighten credit conditions in the first half.

The report therefore supported [illegible] scenario which sees the central bank delaying its next move to lift interest rates. At the same time, the development reassured [illegible] investors that the economy was slowing enough to obviate the threat of inflation, which would erode the value of their holdings.

Bonds received added support from [illegible] more stable dollar and a softening trend in commodity prices.

Nevertheless, the market failed to sustain its forward momentum, with many retail accounts hesitant to assume new positions ahead of Friday's data on employment.

■ UK gilts gained nearly two points at the long end of the yield curve, cheered by the Bank of England's quarterly inflation report in which the Bank indicated that inflation pressures remain subdued.

After rallying throughout the morning, partly on Japanese buying overnight, gilt prices received another lift from [illegible] report, which was [illegible] in [illegible]. The long September gilt futures contract on Liffe rose two point to 103$\frac{1}{32}$.

The long end of the market was further supported by technical factors in the futures market, where the break of resistance around 102 on the September contract triggered further buying, traders said. Moreover, dealers reported purchases by overseas investors, notably in east Asia and the US.

■ Italian bonds also staged [illegible] recovery, boosted by heavy switching out of Spanish bonds and a general improvement in market sentiment.

"Prime Minister Berlusconi's [illegible] address the conflict of interest between his business and political interests has led to [illegible] general improvement in sentiment," said Mr Ken Wattret, international economist at Midland Global Markets.

The September BTP future on Liffe was up 1.21 point at 102.61 in late dealings.

■ French [illegible] largely futures-led dealings, with the September notional bond future on Matif gaining 0.80 point to close at 118.06.

However, some of [illegible] gains may be erased in coming days as traders start building up short positions ahead of Thursday's monthly bond auction.

The Treasury will auction between FFr19bn and FFr21bn 6.75 per cent bonds due 2004, 8.5 per cent bonds due 2008 and [illegible] per cent bonds due 2025.

■ German bonds also firmed, with the September bund future on Liffe rising by 0.36 point to 94.16. However, traders said [illegible] were not backed by cash buying from investors.

Germany's debt liquidation fund *(Kreditabwicklungsfonds)* today will sell one-year zero-coupon paper via the Bundesbank. "With the advent of money market funds in Germany, the issue should go quite well," said a bund dealer.

Abbey National lifts offering on a quiet day

By Tracy Corrigan

[illegible] brisk flow of mainly small offerings in the eurobond market yesterday failed to stimulate much buying [illegible].

However, the recent tightening of yield spreads in the secondary market boosted interest

INTERNATIONAL BONDS

in the latest eurolira offering, a L300bn three-year deal for Abbey National Treasury Services, increased from an initial L150bn.

[illegible] eurobonds have lagged the sharp falls in Italian government bond prices, many are now trading at 50-60 basis points below Libor in the secondary [illegible]. The new Abbey deal, priced to yield the equivalent of five basis points below Libor, appeared attractive relative [illegible] secondary Abbey paper trading at 50 basis points below Libor. However, if the underlying market rallies it is likely that secondary market spreads will widen.

In the D-Mark sector, [illegible] European Investment Bank [illegible] DM750m six-year [illegible] Bank, designed [illegible] avoid the [illegible] crowded five-year [illegible], where several recent deals have failed to clear.

The pricing of the deal, to yield one basis point less than German government bonds and five basis points less than German domestic bonds, discouraged participation by [illegible] investors. However, international [illegible] look at spreads relative to Libor, and the spread of 7 basis points below Libor appeared relatively attractive.

In the euroyen market, Sweden is widely rumoured to be preparing [illegible] Y100bn 2½-year offering [illegible] Nomura. Nomura said a transaction was being discussed, but no final terms or timing had been set.

● Poland plans to set a $150m-$200m eurobond early next year, Reuter reports. A Polish official said [illegible] was [illegible] fixed-interest paper, maturing in three or five years and with semi-annual coupon payments.

He said the eurobond issue would serve as a benchmark for future borrowing and help [illegible] position on international financial [illegible].

The finance ministry [illegible] waiting [illegible] of Poland's negotiations with its commercial banking creditors before setting terms, he added.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	[illegible]	Maturity	Fees %	Spread bp	Book runner
US [illegible]							
Bank Dagang Negara(a)‡	165	(a1)	99.362R	Sep.2001	[illegible]	-	JP Morgan Securities [illegible]
TPI Polene Public Co.‡	100	(b)	100.00R	Aug.1999	0.80R	-	Chase Investment Bank
YEN							
State Bank of New South Wales	10bn	[illegible]	100.25	Aug.2000	0.25	-	Nomura International
D-MARKS							
European Investment Bank	750	[illegible]	101.25	[illegible]	[illegible]	-	Dresdner Bank
CANADIAN DOLLARS							
Rabobank Nederland	150	[illegible]	100.00R	Sep.1996	0.225R	+5 (c)	Wood Gundy
ITALIAN LIRE							
Abbey Natl.Treasury Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	Swiss Bank Corp.
SWEDISH KRONOR							
International Finance Corp.	400	10.625	100.125R	Sep.1999	[illegible]	(11%-99)	Unibank

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead [illegible] rate note. R: fixed re-offer price; fees are shown at the re-offer level. [illegible] Puttable in Sep.99 at par. a1) 6-mth Libor [illegible] Libor +175bp. c) Over interpolated yield.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	[illegible]	[illegible]	+1.130	[illegible]	[illegible]	9.71
Belgium		7.250	04/04	95.6000	+0.300	7.91	7.84	8.05
Canada *		[illegible]	09/04	93.2500	+0.500	9.12	9.26	9.28
Denmark		7.000	[illegible]	93.3000	[illegible]	7.97	[illegible]	[illegible]
France	[illegible]	8.000	05/98	[illegible]	+0.120	6.47	6.62	6.90
	OAT	5.500	[illegible]	86.5000	[illegible]	[illegible]	[illegible]	7.64
Germany Bund		6.750	05/04	99.6900	+0.160	6.79	[illegible]	7.10
Italy		[illegible]	04/04	87.1000	−0.600	10.67†	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	06/99	104.5510	[illegible]	3.70	3.66	3.63
		[illegible]	[illegible]	[illegible]	−0.450	[illegible]	4.39	4.36
Netherlands		[illegible]	01/04	92.6000	+0.140	[illegible]	[illegible]	[illegible]
Spain		8.000	05/04	86.7000	-	10.20	10.36	11.01
UK Gilts		8.000	[illegible]	91-17	[illegible]	8.09	7.96	8.27
		[illegible]	[illegible]	89-18	[illegible]	8.27	8.29	8.60
		9.000	[illegible]	[illegible]	[illegible]	8.37	8.38	8.62
US Treasury *		[illegible]	[illegible]	101-02	[illegible]	[illegible]	[illegible]	[illegible]
		6.250	08/23	85-13	+7/32	[illegible]	7.55	7.61
ECU (French Govt)		6.000	04/04	[illegible]	+0.700	7.89	[illegible]	[illegible]

London [illegible] mid-day. Yields: Local market standard.
† Gross [illegible] tax at 12.5 per cent payable [illegible] nonresidents)
Prices: US, [illegible] others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
Prime rate	[illegible]	One month	4.19	Two year	[illegible]
Broker loan rate	[illegible]	Two month	4.41	Three year	[illegible]
Fed.funds	[illegible]	Three month	4.43	Five year	6.70
Fed.funds at intervention	-	Six month	4.89	10-year	[illegible]
		One year	[illegible]	[illegible]	[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 [illegible]

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

[illegible]

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

[illegible]

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	101.60	102.55	+1.15	[illegible]	[illegible]	39722	85968
Dec		[illegible]	+1.15			0	191

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF)

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Aug 2	Day's change %	Mon Aug 1	Accrued interest	xd adj. ytd
1 Up to 5 years (24)	[illegible]	+0.24	120.52	1.65	6.91
2 5-15 years (22)	[illegible]	[illegible]	[illegible]	1.28	8.39
3 Over 15 years [illegible]	[illegible]	+1.16	[illegible]	1.61	[illegible]
4 Irredeemables (6)	[illegible]	+0.62	[illegible]	2.53	[illegible]
5 All [illegible] (61)	[illegible]	[illegible]	[illegible]	1.50	7.88

[illegible]

FT FIXED INTEREST INDICES

[illegible]

GILT EDGED ACTIVITY INDICES

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

COMPANY NEWS: UK AND IRELAND

Property group to buy portfolio based in UK regional centres

Raglan launches £20m rights

By Simon Davies

Raglan Properties, the development [illegible] investment company, yesterday announced [illegible] rights issue [illegible] nine months, to raise funds [illegible] the acquisition [illegible] a property portfolio valued at £96.7m.

Raglan is paying £30.8m for Letinvest, a subsidiary of SPP, the Swedish Pension and life assurance company. It will also take on £70m of long-term debenture stock and £17.2m of cash.

Raglan has undergone a complete transformation over the past 18 months, including a share consolidation, financial restructuring, and new management. The latest deal represents a threefold increase in its gross assets.

The company is offering new shares at 32p, on a 3-for-4 basis, raising £20.4m net of costs. The share price closed 1p lower yesterday at 36p.

In addition to Letinvest, Raglan is paying £6m for Melrose House, in London's Savile Row.

Letinvest had a net asset value of £38.5m as at March 31, putting Raglan's purchase price at a 20 per cent discount. However, the debenture stock, which is listed in London and pays an 11.25 per cent yield, is to be retained.

About 70 per cent of Letinv[illegible] portfolio is [illegible] regional centres, including London, Edinburgh, Glasgow, Manchester and Cardiff. It has an even spread between retail, office and industrial properties.

The purchase price is adjustable against the difference between the net asset value at completion, and the £38.5m valuation.

The company estimates the deal will enhance its net assets, with a net asset value per share of 38.5p after the purchase, against the current figure of 36p. In addition, it will provide a combined current rental income of £13.2m.

Raglan is already conducting negotiations for the sale of some of the Letinvest properties, which would reduce gearing from its post-acquisition level of 126 per cent.

● COMMENT

Mr Alan Fosler, Raglan's chief executive, transformed Swire Pacific's property arm into one of Hong Kong's most substantial property businesses, and the latest Raglan deal will give him a chance to prove himself in the UK. The rights are pitched at a 6.5p discount to net asset value, which should attract a good take-up. But it will be the first real test for the new management to see if Raglan can translate a highly mixed portfolio into profits.

Yorkshire Water accepts price set by Ofwat

By [illegible] Hollinger

Yorkshire [illegible] yesterday [illegible] sewerage company to accept the new price limits set by the industry regulator last week.

Mr Trevor Newton, managing director, said the decisions were "acceptable, and give us the headroom we were looking for to handle some of the risks".

"We can now forget about managing the regulators and get on with managing the business."

Mr Newton said the company was already on track to beat the cost-cutting targets set by the Office of Water Services. Yorkshire's management layers had been reduced from seven to four, with a further two to be stripped out.

A further 400 jobs will go this year and the 10-strong [illegible] of the utility division will be reduced by about half.

Yorkshire's acceptance [illegible] only Southern Water's [illegible] unclear, although it is [illegible] price limits. South [illegible] to appeal [illegible]s decision.

Yorkshire will be allowed to increase prices annually by 2.5 per cent above inflation between 1995 and 2000 – a formula known as the K factor. The regulator has authorised capital spending to meet obligations of £1.5bn.

Sir Gordon Jones, Yorkshire's chairman, has repeated the board's opposition to the appointment of Mrs Diana Scott, a former regulator, to the board of the parent company. "If she wants to look after the interests of the customers the board of the plc is not the place to do it," he said.

Elan advances to I£9.44m and enters $3.5bn market

By Joan Gray

Elan Corporation, [illegible] Irish pharmaceutical company which moved up from the USM with a capitalisation of £892m in November last year, turned in a pre-tax profit of I£9.44m ($9.25m) for the three months ended June 30, up from I£7.61m for the comparable period.

Turnover for the first quarter was ahead at I£28.8m (I£25.8m), with the manufacturing and distribution side contributing I£13.2m (I£12.8m). Revenues from contract development and royalties were down from I£11.2m to I£7.74m, but license and option fees increased sixfold to I£7.79m.

Strong future growth is predicted for the company's multiple sclerosis and anti-[illegible] products, said Mr Donald Panoz, chairman.

Earnings per share were 23 per cent ahead at 27p (22p). Elan is also listed on the American Stock Exchange. It is classified as a growth stock and not permitted to pay dividends.

● Elan has received FDA clearance for its Panoject ambulatory infusion devices, which provide continuous controlled delivery of drugs and analgesics.

This positions the company to tackle home infusion, the fastest-growing sector of the US health care industry.

This is a market currently estimated at $3.5bn (£2.25bn), rising to $16bn by 1997, driven by the emphasis on controlling health care costs by providing therapy in patients' homes and out-patient departments.

Elan also announced an agreement with Syntex, the US drugs company taken over by Roche in May, to market Elan's once-daily formulation of prescription naproxen in the US.

Naproxen was discovered by Syntex Research; Elan's formulation uses its proprietary intestinal protective drug absorption system to provide controlled release of the dosage. The drug will be sold by Syntex Laboratories, a US affiliate of Syntex Pharmaceuticals International, which will make milestone payments to Elan.

Newmarket Venture net assets slip

Newmarket Venture [illegible], which [illegible] a [illegible] of venture capital investments in the UK and US, reported a fall in net asset value per share to 58p at June 30 against 61p a year earlier.

At the December year-end the value was 62p.

The portfolio was adversely affected during the six months by a decline in UK and US stock markets and a weakening of the dollar/sterling exchange rate.

As already announced, the company is to be voluntarily wound up after the annual meeting and the assets distributed to shareholders.

At June 30 net assets stood at £20.7m (£21.7m).

C&J Clark in agreed bid for Milwards

By William Lewis

C&J Clark, the family-owned shoe company, has made an offer, thought to be worth about £10m, for Milwards, a privately-owned Reading-based footwear retailer.

The move comes ahead of a possible flotation of Clark – perhaps as early as next year. "There is a growing momentum towards a commitment to an early flotation," a company source said.

Clark's offer has been unanimously recommended by the Milwards board. Milwards runs a chain of 75 shops, mainly in the south of England, and in the year to January 31 had sales of £24m.

Clark's intention is to invest £5m over the next two years in changing some of the shops to the Clarks and K Shoes formats. Closure of several sites is also expected.

"This development reflects the close and friendly relationships which have existed between the two companies over many years," Mr Roger Pedder, Clark's chairman, said.

Last year, Clark shareholders narrowly threw out a £184m takeover bid from Berisford International which led to the resignation of Mr Walter Dickson as Clark's chairman.

In the year to January 31, Clark's pre-tax profits rose from £121,000 to £20.8m on [illegible] 5 per [illegible] higher at £655.3m.

Clark is in talks with Mr Peter Bolliger, former managing director of Harrods, about his joining the Somerset-based company. The job he is being considered for is thought to be as general manager of K Shoes.

NEWS DIGEST

Purchases lift Scott Pickford

[illegible] acquisitions helped [illegible], the USM-quoted petroleum consultant, more than double [illegible] for [illegible] March 31.

Pre-tax profits advanced to £498,000 (£231,000), on turnover ahead from £2.33m [illegible] £4.78m.

[illegible] figures included an eight-month contribution from Gaps Geological Consultants and three months from Samuel Denison, a manufacturer of materials testing equipment.

Mr Tony Burch, chairman, said the higher oil price since the year end had increased confidence and would work through to improved trading in the current year.

Earnings per share rose from 0.93p to 5.25p, and the single final dividend is 0.9p (0.8p).

Edinburgh Small net asset value at 103p

Edinburgh Small Companies Trust, admitted to the Official List in [illegible] net [illegible] of [illegible] per share [illegible] 30.

[illegible] trust, which [illegible] long-term capital growth through [illegible] portfolio of small UK quoted companies, [illegible] net revenue of £373,000 for the period from July 9 1993 to end-June 1994.

Earnings per share were 0.72p and a final distribution of 0.21p is recommended.

● Edinburgh New Tiger Trust, incorporated in January 1994 and launched in March, announced a 6 per cent fall in net asset value to 45.28p from launch to the end of June.

Net revenue amounted to £944,000 for earnings per share of 0.337p.

Chelsfield in £25m office park sale

Chelsfield, the property [illegible] pany that [illegible] market last December, has sold [illegible] office park [illegible] at Great [illegible] in [illegible], London, for £25m.

The sale represents a yield of 7.2 per cent.

The property was valued at £23.7m in the group's accounts for the year to the end-December 1993.

Software acquisition for Cray Electronics

Cray [illegible] pleted the acquisition of SAM Systems Services, a [illegible] products [illegible].

[illegible] consideration will [illegible] by [illegible] issue [illegible] the vendors of 1.48m new ordinary shares, valuing SAM Systems at £2.7m.

For 1993 SAM achieved pre-tax profits of £235,000 on turnover of £2.77m.

High Gosforth bid goes unconditional

Northern Racing's £3.4m agreed offer for High Gosforth Park, which owns and runs Newcastle racecourse, has been declared unconditional as to acceptances.

Northern is 65 per cent owned by Stanley Clarke Leisure, a private vehicle of the millionaire businessman; the balance is held by St Modwen Properties, the development and investment group in which Mr Clarke is chairman.

It has received acceptances in respect of 83,925 shares, representing 92.27 per cent of the issued capital. The offer remains open.

Vivat down after exceptional

[illegible] an exceptional [illegible] charge [illegible] the closure [illegible] of its [illegible] tion centre, pre-tax profits at Vivat Holdings fell from £1.84m to £1.06m in the six months to end-June.

Turnover declined by 12 per cent to £33.6m (£38.3m).

The drop in [illegible] because of organisational [illegible] at the jeans manufacturer's French subsidiary, [illegible] was partly [illegible] by good performances in Belgium, [illegible] UK.

The company also recently became aware of a long-standing under-statement of stock in its Tunisian subsidiary.

The £3.5m under-statement has been dealt with as a prior year adjustment to reserves, and has had no effect on the profit and loss account since 1990.

Mr Christopher Burnett, chairman, said "further clarification of the circumstances is being sought".

Earnings per share were 1.3p (2.4p).

CONTRACTS & TENDERS

Prices for electricity [illegible] in England and Wales [illegible]

[illegible]	[illegible]	[illegible]	[illegible]

[illegible] HOLDINGS LIMITED

CONSOLIDATED INCOME STATEMENT	*Six months ended 30 June 1994 R000	*Six months ended 30 June 1993 R000	Year ended 31 Dec 1993 R000
Revenue			
Income from investments	4 620	3 900	10 426
Surplus on realisation of investments	480	740	1 632
Sundry	441	59	356
	5 541	4 699	12 414
Expenditure and amounts written off	502	489	2 037
Administration and general	502	446	878
Interest	-	43	43
Amounts written off investments	-	-	1 116
Profit before tax	5 039	4 210	10 377
Tax	151	108	357
Transitional levy	19	-	-
Profit after tax	4 869	4 102	10 020
Earnings per share			
- cents	26	22	53
Dividends - per share - cents	15	15	35
- absorbing - R000	2 759	2 759	6 438
- times covered	1,7	1,5	1,6

*Unaudited

CONSOLIDATED BALANCE SHEET	*At 30 June 1994 R000	*At 30 June 1993 R000	At 31 Dec 1993 R000
Investments	49 217	52 466	50 104
Net current assets	10 393	2 794	7 396
Current assets	13 812	5 790	11 592
Cash	9 405	1 991	5 404
Other current assets	4 407	3 799	6 188
Less current liabilities	3 419	2 996	4 196
	59 610	55 260	57 500
Share capital	9 448	9 448	9 448
Reserves	50 162	45 812	48 052
	59 [illegible]	55 260	57 500
Investments			
Listed - Market value	[illegible]	54 486	47 214
- Excess over book value	26 062	18 505	13 595
- Book value	32 732	35 981	33 619
Unlisted - Book value	16[illegible]	16 485	16 485
Shares in issue unchanged at 18 393 600			
Net assets (as valued) per share - cents	1 104	1 040	1 006

* [illegible]

NOTES:

1. Dividend. The final dividend No. 94 of 20 cents per share, in respect of the year ended 31 [illegible] 1993, absorbing R3 679 000, was declared on 13 January 1994 and paid on 23 February [illegible].
2. Realisation of Investments. During the six months to [illegible] June [illegible] 100 000 shares in New Wits Limited were realised.
   As announced on 4 July 1994, the entire holding in Rooiberg Tin Limited was [illegible] subject to a suspensive condition.
3. Prospects. Base metal prices have shown a definite upturn over the past few months, which will be beneficial for this company's underlying [illegible]. Should this translate into an increase in income from those investments, earnings per share for the latter half of the current financial year will be higher than those received in the first half.

[illegible] INTERIM DIVIDEND

Dividend No. 95 of 15 cents per share has been declared in South African currency, payable to members registered at the close of business on 26 August 1994.

Warrants payable on 21 September 1994 will be posted to members on 20 September [illegible].

The standard conditions relating to the payment of dividends are obtainable at the share transfer offices and the London Office of the Company.

The register of members will be closed from [illegible] August to 2 September 1994, inclusive.

Registered and Head Office:
Gold Fields Building
75 Fox Street
Johannesburg 2001

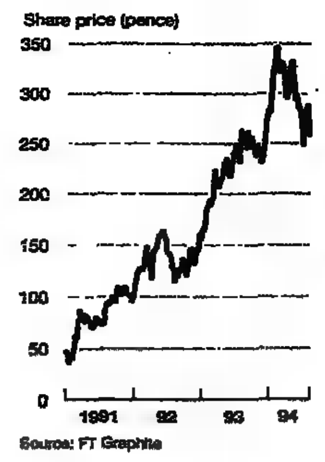
London Office:
[illegible] Corporate [illegible] Limited
[illegible]
[illegible] Street
London SW1P 1DH

On behalf of the board
A J Wright (Chairman)
M J Tagg
Directors

2 August 1994

Increased car sales lift Cowie

By Tim Burt



Cowie Group, the car leasing and motor trading company, yesterday announced a 32 per cent increase in half-year profits following a sharp rise in car sales and fall in interest rates.

Pre-tax profits rose from [illegible] to £20.5m as the group exploited new leasing markets and sold almost [illegible] new cars in the six months to June [illegible] an increase of [illegible] per cent.

The figures were also flattered by reduced interest payments of £10.9m (£13.2m).

Group turnover jumped [illegible] per cent to [illegible] and Mr Gordon Hodgson, chief executive, expressed "cautious optimism" about future prospects.

He said all [illegible] core divisions had benefited from the three-prong strategy of organic growth, acquisition and increased efficiency.

The performance was underpinned by the group's finance division, [illegible] by Cowie Interleasing, where new fleet customers and improvements in the renewal business contributed to profits of [illegible] (£10.7m).

Although divisional turnover fell to £113m (£117.6m), Mr Hodgson said profit margins had improved on ex-contract hire vehicles and predicted additional benefits from the acquisition in March of Fleet Motor Management, Commercial Union's former leasing business.

In the motor division, profits rose to £5.4m [illegible] on turnover of [illegible] as the group enjoyed growing sales of both new and used cars at its [illegible] outlets, including an initial six-month contribution from Keep Trust, the dealership chain acquired for [illegible] last year.

"The figures were encouraging given the challenging trading conditions and pressure on margins," said Mr Iain Jane, the division's managing director.

Increased demand from bus operators, meanwhile, helped Hughes DAF – the bus and coach distribution business – report healthier profits of [illegible] (£1m); while Grey-Green, the London bus and coach operator, saw a [illegible] rise to £863,000 [illegible].

Earnings per share rose to 10.5p [illegible] and the interim dividend is lifted to [illegible] (2.35p).


Ashley Ashwood
Gordon Hodgson: predicted benefits from the Fleet acquisition

■ COMMENT

Cowie has plenty of power under the bonnet. It [illegible] well-run dealerships, [illegible] blue chip fleet customers and has a good chance of forming a leading bus company following the privatisation of London Transport. Yet the market had hoped for more [illegible] and the shares were left trailing 12p yesterday at 256p. This was a little unfair. The results [illegible] expectations, just, and the group is set to [illegible] from the August car boom. Noting Mr Hodgson's cautious approach, analysts left their full-year profit forecasts largely unchanged at [illegible]. But for those anticipating a rush in the showrooms in the second half, the shares look under-valued on a forward multiple of 11.

Burton to close 79 IS stores at cost of £20m

By Neil Buckley

Burton, the clothing retail group, is to close its 79 discount IS stores before Christmas, at an expected cost of £20m.

IS was developed in 1991 as a partly experimental format and a way of trading from excess space in towns where the Burton group was over-represented. But, Burton said yesterday, it was expected to make an operating loss of about £5m this year.

The group added that the recovery in the property market meant it would now be easier to dispose of the outlets.

The 500 IS staff would be offered positions in other chains wherever possible.

The provision to cover IS closure costs and operating losses will be taken this financial year.

It will be offset by a £20m property write-back after Burton sold its remaining retail developments for £20m more than their written-down book value.

Burton also reported that sales for the 22 weeks to the end of July were 3.1 per cent higher than last year.

Sales at Debenhams were up by 5.2 per cent, while Burton's multiple chains lifted sales by 1.5 per cent.

In the multiples, Dorothy Perkins, Top Shop and Top Man turned in good performances. These balanced out continuing problems at the Burtons men's wear chain, where sales were down and mark-downs were necessary to clear stocks.

There were signs of improvement at Principles, where a new management team was sorting out the stock and shop design problems which depressed the chain's performance last year.

Group gross margins were down 0.6 percentage points, but this was an improvement from the 2.3 point fall reported at the interim stage.

Burton said it was continuing to reduce the level of discounted sales.

Analysts are predicting pre-tax profits of about £40m for the year to September 3.

Strategy of expansion through profitable niches

Andrew Bolger looks at acquisitive MY Holdings

A flurry of recent deals by MY Holdings marks the determination of this small company to become a significant force in the UK's highly fragmented specialist packaging sector.

The Surrey-based group this year more than doubled its size, and returned to the main market from the USM, by paying up to £21m for Insight, a Kent company which makes illustrated food cartons.

The Insight deal also [illegible] a significant dilution of the controlling stake in MY held by Malbak, the South African [illegible] conglomerate which was recently unbundled from the Gencor mining group.

MY lost its listing on the main market in 1988 after Malbak took control of the group, which at that time was still involved in making consumer goods such as bicycles and dartboards.

Just as the South Africans took control, MY was hit by recession and higher than expected factory relocation costs, which caused the company to lose more than [illegible] in [illegible].

New management was brought in that year in the shape of Mr John Grainger, chairman, and Mr John Monks, chief executive. They had both held senior management positions with Norton Opax, the specialist print and packaging group which was bought by Bowater Industries in 1989 for £382m.

The new team completed a process of divesting MY's non-print and packaging activities, and concentrated on cutting costs by improved financial and management controls. Debt was cut and in the half-year to February, MY made pre-tax profits of £1.13m on sales of £19.1m.

The Insight deal in February involved a £23m share placing which cut Malbak's stake from 86 to 65 per cent. The South African group is willing to see its stake diluted below the 50 per cent mark, as and when further acquisitions are funded by the issue of more shares.

Mr Monks has tried to focus MY on higher-margin business in specific niches. He said: "We are a bespoke business – we make to order."

The chief executive said Insight was the culmination of a [illegible] search for the right strategic acquisition. Founded in [illegible] by Mr Terry Neill, the Gillingham-based business [illegible] high-quality printed folding cartons, used mainly by the food industry.

Insight [illegible] to be [illegible] in [illegible] a rapid turnround of orders and "just-in-time" delivery of [illegible] is required. The Gillingham plant has the [illegible] printing technology, computer-aided design and a fully automated warehouse.

Mr Monks said the acquisition of Insight would both improve MY's profitability and enhance its reputation as a niche player. Insight's pre-tax profits nearly doubled, from £1.14m to £2.04m, between [illegible] and 1992, a period which saw sales rise from £8.9m to [illegible]. The enlarged group is forecast this year to make pre-tax profits of at least [illegible] on sales in excess of £60m.

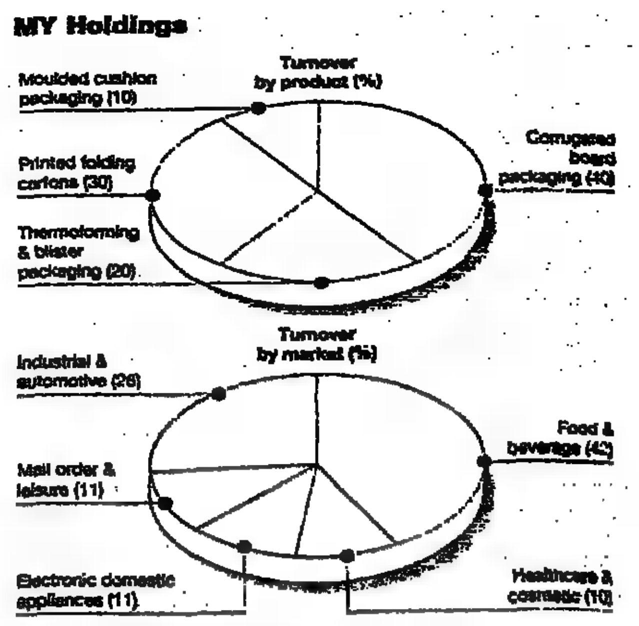
Healthcare is another area which MY has identified as offering high-margin opportunities and last year it paid £1.3m for [illegible], a Portsmouth company which makes pharmaceutical cartons. In May this year the group paid £1.6m for two more businesses – Cleanprint, a Cambridgeshire company which prints [illegible], and Jensa, a [illegible] company licensed to pack pharmaceutical products.

Mr Monks said: "We are experiencing [illegible] growth in the healthcare packaging market and these acquisitions will enable us to offer customers a wider range of products and services . . . We are continuing to seek further opportunities to offer other specialist products in this important sector."

The enlarged MY now has more than [illegible] employees, working from [illegible] sites. Although his group is dwarfed by companies such as Bowater, Mr Monks says the UK packaging industry is very fragmented – with about 3,000 companies operating in a market estimated to be worth [illegible] annually.

In common with other packaging groups, MY has been suffering from margin pressures – not least in its corrugated board packaging businesses, which remain the largest in [illegible] terms. But the enthusiastic Mr Monks and his team remain confident that their strategy of focusing on profitable niches will pay off.

He said: "We hope to have sales of about £200m in four years from now. It would only take one more £25m deal, and a couple of small infill acquisitions, to take us to the £100m level."



Net asset value drops 17% at TR Pacific

Net asset value per share of TR Pacific Investment Trust dropped 17 per cent from 121.2p to 100.4p during the six months to June 30, but compared with 70.85p at end-June 1993.

Net revenue fell [illegible] per cent to £349,000, against £480,000, despite gross revenue higher by [illegible] per cent at £1.44m.

However, this was not sufficient to offset higher management fees and borrowing costs.

The trust raised its borrowing facility from $15m to $25m (£16.1m).

Earnings per share were [illegible] (0.358p).

Bank syndicate gears up to sell WPP shares from September

By Diane Summers, Marketing Correspondent

The syndicate of banks which acquired shares in WPP, the marketing services group, in a [illegible] debt-for-equity swap in 1992, is gearing up to sell its interests from September.

WPP announced yesterday that conversion notices had been received from the syndicate for 169.5m convertible cumulative redeemable preference shares. These are expected to convert to 190.2m ordinary shares – equivalent to [illegible] per cent of the enlarged ordinary share capital. The group said the shares could be sold from September 1.

The bank syndicate has appointed a consortium made up of Bankers Trust International, JP Morgan Securities, and SG Warburg Securities to dispose of the new ordinary shares. The consortium said the number of shares to be sold will probably not be decided until nearer the sale date.

A series of presentations by WPP management to investment institutions in the UK and continental Europe will be made during August, following the group's interim results.

The deal struck in July 1992 stated that members of the syndicate could sell the ordinary shares arising on conversion at any time after September 2 1994. The first available date would have been September 3 – a Saturday – so WPP has agreed to bring the date forward to September 1.

A further 12.2m convertible preference shares are convertible at any time. Conversion of these shares would mean the issue of a further 13.7m new ordinary shares – 1.9 per cent of the enlarged ordinary share issue.

WPP shares were unchanged yesterday at 111p.

Sharp rise to $733,000 at Holmes Protect

By Andrew Bolger

Holmes Protection, the US security group which is quoted in the UK, yesterday reported a sharp increase in pre-tax profits, from $133,000 to $733,000 (£473,000) in the six months to June 30.

The group said its performance demonstrated continued improvement in spite of a drop in half-year sales from $27m to $25.8m.

It attributed the progress to continuing steps taken to reduce operating expenses.

Last month Sir Ian MacGregor, the former chairman of British Steel and British Coal, resigned as chairman of Holmes.

This followed disagreements over a deal in which HP Partners, a US investor group, injected $10m into the group in return for a 34 per cent stake.

Mr Paul Douglas, a director for the past 19 months, succeeded as chairman of Holmes, which plans to delist its shares in London and obtain a quotation on the Nasdaq exchange in New York.

Earnings per share rose to 1.5 cents (0.1 cents). There is no interim dividend.

IN BRIEF

CHARTER has had a 93.5 per cent take up of its rights issue of 17.1m convertible stock units. The 1.1m units not taken up have been sold at 695p each.

CHELTON, part of the FR Group, has acquired Rayan, a French aviation antenna manufacturer, for FFr7m [illegible] cash. The vendor is Davey Bickford Smith. In its last financial year Rayan's sales amounted to FFr7.4m.

COAL INVESTMENTS [illegible] been accepted in respect of [illegible] or 93.46 per cent.

GREYCOAT rights [illegible] 360m new ordinary shares at 13p each has received 93.96 per cent acceptance.

MINMET has set up a joint venture in Russia to develop a gold mine in eastern Siberia with reserves of 100 tonnes of refined gold.

PRINCEDALE is buying a 75 per cent stake in Corporate and Financial Design for up to £903,780 in cash and shares. The remaining 25 per cent will be acquired after five years for up to £926,000 in shares.

NEWS DIGEST

Buoyant outlook at AF Bulgin

Shares in AF Bulgin, the electronic components and [illegible] group, rose [illegible] yesterday after Mr Ronald Bulgin, chairman, told shareholders at the annual meeting that the six months to the end of July seemed to have "been the most profitable half year for a number of years".

He added he would be surprised if profits for the year to January 1995 did not exceed £375,000, and more than £1m was targeted for the following year. In the year to January 1994, pre-tax losses were £212,000.

Furlong Homes raises £2.3m

Furlong Homes, quoted under Rule 4.2, has raised £2.3m in new equity, and dealings in the shares will begin on August 4.

[illegible] 5 per cent of Furlong, a housebuilder in the south-east, is held by a joint venture [illegible] by British Land and Mr George [illegible] Quantum Realty.

Pacer Systems in the black

Pacer Systems, the US-based electronics group traded on the USM, announced a pre-tax profit of [illegible] for the first half of 1994, compared with a [illegible]. Turnover was lower at $13.1m ($14.29m).

Earnings per share were [illegible] (3 cents loss). The dividend is unchanged at 3.5 cents. The order book at June 30 was $76m ($74m).

Exceptionals lift Illingworth Morris

Illingworth Morris and Woolcombers Group, both part of a textiles empire controlled by Mr Alan Lewis, yesterday announced their results for the year to March [illegible].

Illingworth achieved a rise in pre-tax profits from £1.27m to £3.33m after exceptional credits of £2.29m (£58,000 debit). Turnover was [illegible] (£52.7m). At the Woolcombers subsidiary pre-tax profits fell to £1.84m [illegible] on turnover of [illegible] (£27.3m).

Illingworth's earnings per share were 7.1p [illegible] and Woolcombers' 4.3p [illegible].

Following the [illegible] of Woolcombers' flotation, Jarmain & Son has been transferred to Hartley Investment Trust, the ultimate parent.

Chartfield completes reverse takeover

The reverse takeover of Bell Court Fund Management by Chartfield Financial Holdings has been completed.

Mr Mark Thomas, Chartfield's managing director, said the company had taken the step of becoming a public company in order to facilitate further acquisitions and mergers. Chartfield currently had £60m under management, he said, and was at an advanced stage of negotiation with five other broker fund managers ranging from £10m to £80m under management.

Further divestment for StanChart

In line with its policy of divesting its non-core activities, Standard Chartered Bank has reached preliminary agreement for the Bank of Bermuda Group to acquire its private trust [illegible] which operate principally in Jersey, the Cook Islands and Hong Kong. The consideration is not material.

Last year StanChart sold its international trust businesses to Bank of Bermuda.

RPC pays £1.2m for assets

RPC, the rigid packaging group, has bought assets for £1.2m from Lawson Mardon Packaging, a [illegible] of Alusuisse Lonza of Zurich.

The assets are at [illegible] industrial [illegible] division in [illegible]-in-Ashfield, Nottinghamshire.

BDS Properties deal with BRPF

In a [illegible] deal, BDS Properties, the Development Securities and Bryant Properties joint venture, has exchanged contracts with British Rail Pension Fund for the forward sale of a 170,000 sq ft distribution centre being built on 14 acres of Birmingham International Park.

BPI makes £1m Scottish purchase

British Polythene Industries has purchased Edinburgh Plastics for £1.05m, comprising £329,712 in cash and the balance by the issue to vendors of 161,932 ordinary shares, unchanged at 445p yesterday.

EP, which extrudes, prints and [illegible] polythene film and bags, is based in Cowdenbeath, Scotland. At October 31 it had net assets of £1.16m. Turnover for the year to end-October was £2.51m and pre-tax profit £99,019.

Alliance Resources lifts Valentine stake

Alliance Resources, the US-based oil and gas company, is paying $780,000 (£503,000) in shares to increase its presence in the Louisiana Valentine field.

The group announced it would issue 7.5m new shares and waive $161,000 in debt in return for a further 5.75 per cent interest in the oil and gas field. The deal will bring Alliance's working interest in all production from the Valentine field to 65.5 per cent and result in a 99.75 per cent interest in the undeveloped portion.

The vendor is Progas, a US gas marketing company with which Alliance is negotiating to pre-sell part of the gas production from the Valentine field.

DIVIDENDS ANNOUNCED

		Current payment	[illegible]	Corres-ponding [illegible]	Total for [illegible]	Total [illegible] year
BP	int	2.5‡‡	-	2.5	-	8.4
Cowie	int	2.725	Sept 8	2.35	-	7.85
[illegible] §	fin	6.5	Oct 3	[illegible]	9.5	[illegible]
Edinburgh Small	fin	0.21	-	-	0.21	-
Ewart	fin	0.6	Sept 23	nil	1	nil
Law Debenture	int	6.75	[illegible] 3	[illegible]	-	19.25
NatWest	int	[illegible]	[illegible] 10	6.4	-	18.5
Pacer Systems	int	3.5★	[illegible]	3.5	-	[illegible]
Scott Pickford §	fin	0.9†	-	0.8	0.9	[illegible]
Yorkshire Chems	int	[illegible]	Oct 7	2.6	-	8.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡‡Making 5p to date. ★US cents.

هكذا في الاصل

COMPANY NEWS: UK

Yorkshire Chemicals ahead 19%

By Tim Burt

Yorkshire Chemicals, the dyes and specialist chemicals manufacturer, [redacted] off the effects of depressed prices and intense competition by yesterday reporting a 19 per cent increase in half year profits.

[redacted] group saw pre-tax profits climb to £7.17m (£6.02m) as its heavy investment programme in new equip[redacted] and [redacted] capacity began to pay off.

The improvement – achieved on turnover of £60.5m (£55.6m) in the six months to June 30 – prompted a 29p rise in the share price to 421p.

Mr Phillip Lowe, chairman, said the group had overcome fragile trading conditions in the UK and continental Europe by "producing and selling more [redacted] lower price levels".

More than £18m was spent last year to increase capacity, and Mr Lowe said a further £12m would be invested before the current year end.

The investment [redacted] funded with cash left [redacted] from last year's £24.3m rights issue and banking facilities, is expected [redacted] York[redacted] Colours, the UK dyestuffs division, [redacted] plans to increase capacity by 25 per cent.

Although the division increased turnover 8 per cent to £27.8m, price cuts averaging 5 per cent left its operating profits virtually unchanged [redacted]

That flat performance was offset by improved results at [redacted] Speciality Products – the tanning agents manufacturer – and Yorkshire Australia, the overseas dyes subsidiary.

They proved more resilient to price pressures and increased operating profits [redacted] (£1.25m) [redacted] £1.73m [redacted] respectively.

Operating profits fell, [redacted] £447,000 [redacted] at [redacted] Americas after the group [redacted] to withdraw its distribution operations [redacted] US [redacted] manufacturers in favour of using its own products.

Mr Lowe said there signs of an upturn in Europe and forecast steady growth in Australia and the Asia Pacific region.

"We shall [redacted] to offset the pressure on margins [redacted] improvements in efficiency, and by increased production and sales volumes," Mr Lowe added.

Earnings per share rose to 11.2p (9.8p), and the interim dividend is increased to 2.75p [redacted]

Phillip Lowe: fragile trading conditions overcome

Spider Systems jumps 25% to £719,000

By James Buxton, Scottish Correspondent

Spider Systems, [redacted] Edinburgh-based company which makes products and [redacted] for communication between computers, increased pre-tax profits by [redacted] per cent, from £575,000 to £719,000, in the year to March 31.

Turnover rose from £17.2m to £21m, an increase of 22 per cent.

Mr Martin Ritchie, managing director, said the improvement had been achieved in a year when much of the company's resources had been concentrated on its Spiderintegrator, which it said was the first [redacted] of its kind able to [redacted] the cheapest route for communications between computers. It was launched in April.

Orders taken for the Spiderintegrator in the first quarter of 1994-95 had exceeded forecasts and sales of its internetworking and communications server business had risen 50 per cent.

Thanks partly to the Spiderintegrator, the company expects a 30 per cent rise in turnover this year.

Spider's communications software and networking solutions businesses account for 40 per cent of sales.

Mr Ritchie said that a Stock Exchange flotation was [redacted] "possibility" as Spider developed.

Crown Eyeglass shares improve on 25% advance

By Gary Evans

Crown Eyeglass saw its shares jump [redacted] the USM-quoted maker of spectacles and reading glasses reported profits up 25 per cent for the year to March 31.

Turnover climbed 47 per cent to £5.51m and while some margin was sacrificed by way of special promotions, pre-tax profits [redacted] a record [redacted] (£423,000). [redacted] returning to [redacted] more normal level, earnings per share rose 46 per cent to 22.4p (15.3p).

Mr Joe Lee, chairman, cautioned however, that having regard to the competitive trading climate in Crown's sector, it was prudent to expect less dramatic growth this year than last. The recommended final dividend is 6.5p for a total of 9.5p (7p).

Mr Lee said Crown [redacted] development through an ongoing expansion programme, which would involve opening additional optical centres in the UK and [redacted]

In the UK, four new optical centres opened in the second half bringing the total of new outlets for the year to seven.

In Sweden, [redacted] Direkt Optik offshoot had continued to expand and accounted for 24 per cent of group turnover for the year. Crown now had five Swedish optical centres and negotiations for three more were currently taking place.

At the year end, group net assets stood at £1.49m, including cash of £460,000.

Ewart consolidates its recovery with £1.13m

By Jean Marshall

Ewart, [redacted] property [redacted] the recovery [redacted] the interim stage with pre-tax profits of £1.13m for the year to April 30, compared with losses of £155,721.

Turnover [redacted] £4m to £5.9m, generating operating profits [redacted] (£768,871). The pre-tax result was [redacted] profit on the sale of investment properties and net interest payable of £1.04m (£924,592).

Mr Paul McWilliams, chairman, said further progress had been made on the Laganbank development near Belfast city centre. Also, the first phase of [redacted] retail development [redacted] Hamilton, Scotland, had been completed.

Proceeds from the sale of the retail investment in Newcastle upon Tyne had been reinvested in an industrial property at Livingston, Scotland, and in [redacted] retail [redacted] north of Belfast, adding about £160,000 to the company's rental base, Mr McWilliams said.

Earnings per [redacted] emerged at 5.21p (0.44p) and a proposed final dividend of 0.6p brings the total for the year to 1p (nil).

On July 25, dealings in Ewart shares began on the Dublin Stock Exchange.

CLT to let Chiltern bid lapse

CLT, the European broadcaster, has [redacted] to let its [redacted] cash offer for Chiltern Radio lapse.

CLT blamed the consolidation of Chiltern's shareholder base. More than 50 per cent is now held by [redacted] Mail and General Trust and its associate, European Media Associates, GWR and Capital Radio.

The Takeover Panel recently dismissed an appeal by Chiltern that DMGT, GWR and Capital were acting in [redacted] to obtain control.

Mr Peter Burton, chairman of Chiltern, said: "The board is very concerned that, [redacted] result of the panel's decision, [DMGT, GWR and Capital] will continue to hold the majority of shares in Chiltern Radio [redacted] minority [redacted]holders being offered the 300p per share which DMGT and GWR were prepared to pay to secure their stakes."

Lionheart warns on profits

By Graham Deller

Shares of Lionheart fell 1½p [redacted] 7p yesterday [redacted] the Cheshire-based manufacturer of paintbrushes and bathroom fittings, announced a boardroom reshuffle and issued a profits warning.

[redacted] its results for the first half of the [redacted] year would be "materially lower than anticipated" reflecting "cautious and erratic consumer demand".

A recent review of operating [redacted] annualised savings of some £2m, the company said, and a reduction of more than £400,000 in annualised head office costs via [redacted] restructured board.

Mr David Railton, operations director, Mr David Kay, finance director and Mr Mich[redacted] Tuttle, [redacted] director, have all left the company; Mr Mark Walker, previously financial controller, has been appointed group finance director.

The consequent redundancy and restructuring costs will be charged to the first half [redacted] Albert E Sharp, the company's broker, revised its interim profits estimate down from £2.2m to £500,000 pre-tax and anticipates a provision of about [redacted] to cover the [redacted]

In March, Lionheart announced a return to the black with pre-tax profits of £1.77m for the 1993 year. Mr Paul Lever, chairman, said at that time that an acquisition was likely "within months".

COMMODITIES AND AGRICULTURE

Copper supported after heavy fall

By Kenneth Gooding, Mining Correspondent

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	-3,675	to 2,520,275
Aluminium alloy	-20	to 26,880
Copper	[illegible]	to 338,900
Lead	[illegible]	[illegible]
Nickel	[illegible]	[illegible]
Zinc	-175	[illegible]
Tin	+5	[illegible]

Present conditions in the copper market were summed up by one analyst yesterday who said: "The only certainty is that it will be volatile". He was speaking at the end of a day when copper's price dropped by $60 a tonne in early trading on the London Metal Exchange to its lowest level for six weeks. But during the afternoon it regained virtually all the lost ground.

Mr Angus MacMillan, research manager at Billiton-Enthoven Metals, said the sell-off came as no surprise because stocks were rising both in LME warehouses and on the New York Commodity Exchange. However, the selling yesterday was not heavy and the price refused to go below strong technical support at $2,360 a tonne.

"Copper's fundamentals are not negative but they are neutral now," he added.

"US economic growth is slowing, tightness in the US copper market is easing and in Europe many fabricators are on holiday this quarter. There probably will be a small supply surplus this quarter compared with the big deficit in the first half. That is showing up in stock levels."

Selling was triggered yesterday by a reported rise of 2,046 short tons in Comex stocks. Then the LME reported its stocks had gone up – only by 250 tonnes but this was the first [illegible] since March.

Probes into Chilean trading losses urged

By David Pilling in Santiago

Pressure [illegible] mounting [illegible] the Chilean government yesterday to [illegible] UK [illegible] in investigate [illegible] "irregular" metals [illegible] led [illegible] to incur heavy losses [illegible].

Two opposition deputies, [illegible] recently [illegible] York, have [illegible] a probe into the part played by foreign brokers in the loss of up to $270m.

An investigation in London could be mounted by the London Metal Exchange, [illegible] Fraud Office or [illegible] and [illegible] Board, Mr Luis Valentin Ferrada, one [illegible] the [illegible] deputies, [illegible]. His visit had "established indubitably [illegible] a foreign investigation [illegible] possible".

He [illegible] that, if [illegible] government approached authorities in London, "I have absolutely no doubt" that proceedings could begin. It was in London's interests to "protect the transparency and control of its market", he said.

Other commentators, however, thought it unlikely that proceedings would start unless strong [illegible] of foul-play [illegible] produced. [illegible] far, little, if any, has come to light.

Speculation about irregular transactions has resulted largely from statements by Mr José Benquis, a Chilean judge, that of 8,000 futures operations conducted in 1993, 400 were [illegible].

[illegible] Young, the British consultancy employed by Codelco [illegible] study the [illegible], told Reuters last week it "had no direct evidence of any irregularities". It said yesterday that the investigation had "moved on", but it would be "unhelpful" to comment further.

Drought shrivels output in Queensland's 'country garden'

Four the fourth year in a row the state's grain growers are facing disaster conditions, writes Nikki Tait

A large roadside billboard greets travellers heading [illegible] from Brisbane: "Welcome to Queensland's Country Garden", it reads. Today, the [illegible] seems laughable. As far as the eye can see, there is nothing but scorched earth under a blistering blue sky.

This is [illegible] Queensland drought, and it has tens [illegible] thousands of farmers, working land on Australia's eastern seaboard, praying for rain. If the weather does not break in the next week, all winter planting opportunities will have passed. Worse, this will be the fourth consecutive year and eighth planting season when many grain farmers have faced such conditions. The length and severity [illegible] drought [illegible] unprecedented since European settlement, and it is wreaking havoc on the rural economy.

Already, 35 per cent of Queensland has been declared a drought area, including major grain-growing areas around the Darling Downs and central tablelands. This figure will almost certainly rise this *month. A similar situation* persists in New South Wales, where almost 60 per cent of the state [illegible] to [illegible] drought-stricken earlier [illegible] week. The only consolation for NSW is that drought is relatively recent. Last year's grain production was good.

Even so, many Australian farmers – wheat and cotton growers, in particular – are hurting badly. The Queensland Graingrowers Association reckons that lost production resulting from this year's weather conditions alone will total A$1bn (£480m), about $A330m in Queensland and the remainder in New South Wales.

More broadly, Mr Wayne Goss, Queensland's premier, has calculated that the paucity of rain since 1991 has cost his state around A$2bn-worth of rural production. Allowing [illegible] the "multiplier" [illegible] – as farmers' [illegible] spending power hits demand for other goods and services – he puts the total damage to Queensland's economy at A$3.6bn.

> As farmers' reduced spending power hits demand for other goods and services the total damage to Queensland's economy could reach A$3.6bn.

The extent of the 1994 grain disaster has only become apparent in recent weeks, as successive windows for winter planting have passed. Back in *March, above average rainfalls* actually encouraged farmers to hope that the drought jinx had been broken. Even six weeks ago, in its quarterly crop report, the Australian Bureau of Agricultural and Resource Economics was forecasting that the nation would sow about 10.2m hectares to wheat this winter and produce some 15.7m tonnes of the grain. This would have compared with just under 18m tonnes in the previous year.

Since then, the situation has changed dramatically. Now Abare warns that, if meteorologists' forecasts of below average rainfalls for the next two months are correct, national production could fall to as little as 10.8m tonnes, with only 8.3m ha [illegible].

In Queensland, the picture will certainly be bleaker. In a "normal" year, the state might produce 1.5m to 2m tonnes of wheat. Last year, the figure was just over 600,000 [illegible]. This year, the Australian Wheat Board says it expects under 500,000 tonnes, and the Queensland Graingrowers Association warns that the figure could be lower still. In New South Wales, where "average" *production* exceeds 5m tonnes, the AWB is talking of 2m tonnes, and "that's assuming normal weather conditions from now on".

Already, the chances of retrieving the winter planting season look slim. "We're not going to get rain until next weekend at best, so it would be the middle of August before farmers can plant in southern Queensland – and you'd have to be desperate to do that," says Mr Ian MacFarlane, president of the QGA. With central Queensland already a lost cause, he concludes: "What we're going to get is what's already in the ground".

And already the implications of both present and cumulative damage are starting to emerge.

On the one hand, there is talk of endangered export contracts, even a suggestion that Australia may have to make the rare move of importing wheat. The grain represented the country's seventh most important export category last year, with a trade value of A$2.2bn; and the big problem is that the premium wheat, favoured by Japanese buyers, is grown mainly the drought-affected areas.

Of most concern is an agreement to sell about 800,000 tonnes of prime hard wheat to the Japanese, for whom security of supply has always been a prime requirement. "We are currently reasonably confident that we can satisfy that," says the Australian Wheat Board, the central agency which handles export sales. But the AWB also acknowledges that total Australian production needs to reach 13m tonnes before it can comfortably handle all export business. This figure will almost certainly be undershot.

To ensure that the AWB at least secures the bulk of the available supply of premium wheat, the agency has sharply increased the pool prices in selected regions. It is also shipping lower-grade wheat from other states to satisfy feed buyers in the drought-affected areas – in the hope of reducing their rival calls on the premium product.

Unfortunately, this will almost certainly push up feed costs, thus spreading financial impact of the drought. "The grain farmers are getting the attention, but I guess that forgotten people in all this are the livestock producers, and the agricultural suppliers," says Mr MacFarlane.

Moreover, while both the AWB and grain growers remain fairly sanguine about imports – not least because of quarantine restrictions and the like – they do concede that shortages in niche areas like *durum wheat*, used *to make* pasta, may necessitate some selective purchasing from overseas.

Secondly, there is the question of assistance for farmers. To date, some A$75m of aid has been provided by state and federal authorities, mainly in the form of interest subsidies. Federal government allowed for a further A$4.5m of assistance in its 1994-95 budget estimates, and Queensland is promising about A$20m.

But Queensland grain growers say that the sums are paltry when set against the cash-flow crisis in the farm community. They claim that the need for aid surpasses any previous experience – and that a major rethink should encompass everything from the size of re-establishment grants for farmers who want to quit the land, to training facilities for farm workers who are now idle.

Later this week, Senator Bob Collins, Australia's primary industry minister, will tour the Darling Downs region. He has already asked for separate assessments of the situation from the Rural Adjustment Scheme Advisory Council, which handles federal relief, and from the Queensland and New South Wales governments. The federal cabinet will discuss the need for further measures next week.

In the meantime, some damage may be irreparable. While few Queensland growers think that land will be lost to grain production in the long term – simply because cash-flow should return quickly when the rains come – they do worry that an exodus from the land could occur. Mr MacFarlane quotes figures, which he says are supported by Abare, suggesting that 15 to 20 per cent of farmers could sell up if the drought continues.

Blast hits giant PNG gold mine

Ten people were missing and feared dead after an explosion yesterday at the giant Porgera gold mine in Papua New Guinea, reports Reuter from Sydney.

The mine operator, Placer Pacific, said the blast was in the above-ground explosive storage area of the mine and the missing workers were employees of Dyno Wesfarmers, an Australian-Norwegian company that is contracted to run the mine's explosives operations.

All operations at the mine, one of the biggest gold producers in the world, were halted pending an investigation into the cause of the blast and damage assessment.

The first explosion was reported to have been followed by a second blast when a tank of chemicals caught fire, triggering shock-waves that caused some structural damage to an accommodation block, a truck servicing bay area and another on-site building. Up [illegible] 200 non-essential staff were being evacuated from the mine back to their villages or to Port Moresby.

Porgera had a total workforce of 1,800 in June this year, of which 350 were expatriates.

The mine, which began production in 1990, is owned equally by Placer, Highlands Gold, Renison Goldfields Consolidated and the PNG government. In 1993 it produced 1.16m troy ounces of gold.

New York exchanges complete merger

By Laurie Morse in Chicago

New York's two biggest futures exchanges [illegible] merge today, creating a single powerful commodities exchange that will be the world's largest. After nearly a century as competitive and often quarrelsome neighbours, the New York Mercantile Exchange (Nymex) and the Commodities Exchange (Comex), become two divisions of a single exchange.

The merger, which was approved by members of the exchanges in April and by regulators last month, is expected to lower the costs of operating the two markets, where futures and options are traded in energy and metals, and raise their competitive profiles.

Their combined volume for 1994 is projected at over 80m contracts.

Merger papers will be signed today, and some $82m will be paid out to members of both exchanges within the next few weeks. Nymex's 816 members will share a $22m bonus while Comex's 750 members will receive more than $60m over the next five years.

After today's signing ceremony, exchange officials are expected to announce their selection of a site in the New York area to house the combined markets. The exchanges share cramped space in the World Trade Center, and hope to move into a new building within three years.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices [illegible] Amalgamated Metal [illegible])

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 [illegible]
Close	1441.5-2.5	[illegible]
Previous	1445-55	[illegible]
High/low		1472/1455
AM Official	1430-1	[illegible]
Kerb close		[illegible]
Open int.	268,629	
Total daily turnover	34,374	

■ ALUMINIUM ALLOY ($ per tonne): [illegible]

■ LEAD ($ per tonne): [illegible]

■ NICKEL ($ per tonne): [illegible]

■ TIN ($ per tonne): [illegible]

■ [illegible] special high grade ($ per tonne): [illegible]

■ [illegible] grade A ($ per tonne): [illegible]

■ LME AM Official £/$ rate: 1.5413 [illegible]

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Aug	[illegible]	[illegible]	[illegible]	108.30	604	109
Sep	110.15	[illegible]	110.70	107.70	29,786	[illegible]
Oct	110.15	[illegible]	-	-	[illegible]	21
Nov	110.15	+0.50	108.00	[illegible]	321	2
Dec	[illegible]	[illegible]	110.70	107.70	10,845	785
Jan	[illegible]	[illegible]	-	-	341	-
Total					48,619	[illegible]

PRECIOUS METALS

■ LONDON [illegible] MARKET ([illegible] supplied by N M [illegible])

[illegible]	$ price	£ [illegible]
Close	380.20-380.70	
Opening	[illegible]	
[illegible] fix	383.75	249.561
[illegible]	380.00	247.074
Day's High	[illegible]	
Day's Low	378.60-379.00	
Previous close	383.00-383.40	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.96 [illegible] months 4.43
2 months ....4.05 12 months 4.86
3 months 4.13

Silver Fix	p/troy oz.	US cts equiv.
Spot	343.05	528.50
3 months	347.45	534.30
6 months	352.65	541.45
1 year	365.10	557.45

Gold Coins	$ price	£ equiv.
Krugerrand	390-393	253-255
Maple Leaf	391.25-393.70	-
New Sovereign	91-94	59-62

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.): [illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.): [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.): [illegible]

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.): [illegible]

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel): [illegible]

■ CRUDE OIL IPE ($/barrel): [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.): [illegible]

■ GAS OIL IPE ($/tonne): [illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu): [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.): [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne): [illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel): [illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel): [illegible]

■ BARLEY LCE (£ per tonne): [illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel): [illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb): [illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton): [illegible]

■ POTATOES LCE (£/tonne): [illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point): [illegible]

Minor Metals: [illegible]

SOFTS

■ COCOA LCE (£/tonne): [illegible]

■ COCOA CSCE (10 tonnes; $/tonnes): [illegible]

■ COCOA (ICCO) (SDR's/tonne): [illegible]

■ COFFEE LCE ($/tonne): [illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs): [illegible]

■ COFFEE (ICO) (US cents/pound): [illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs): [illegible]

■ WHITE SUGAR LCE ($/tonne): [illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs): [illegible]

■ COTTON NYCE (50,000lbs; cents/lbs): [illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs): [illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100): [illegible]

■ CRB Futures (Base: 1967=100): [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; [illegible])

	Sett price	Day's change	High	Low	Open int	Vol
Aug	71.125	+0.775	71.425	70.750	20,323	[illegible]
[illegible]	73.350	+0.125	73.600	72.850	28,093	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2,849

■ LIVE HOGS CME (40,000lbs; cents/lbs): [illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs): [illegible]

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME: [illegible]

■ COPPER (Grade A) LME: [illegible]

■ COFFEE LCE: [illegible]

■ COCOA LCE: [illegible]

■ BRENT CRUDE IPE

	Sep	Oct	[illegible]	[illegible]
1700	-	-	-	30
1750	-	-	6	40
1800	66	100	[illegible]	83

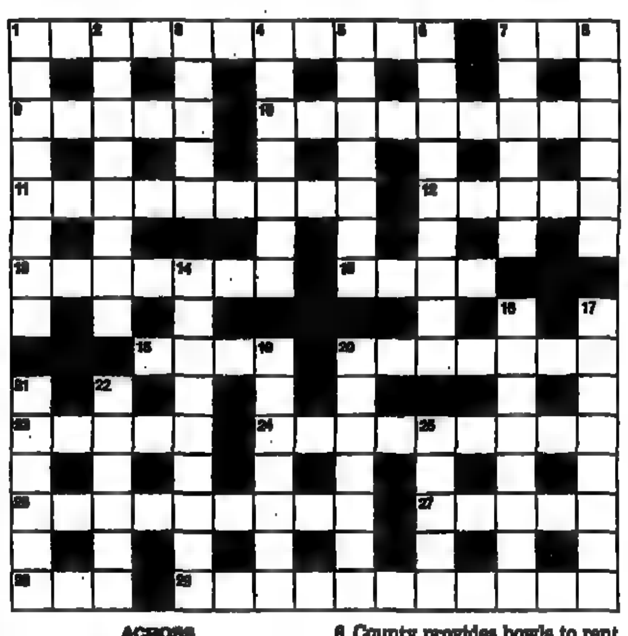
LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Sep)		+or-
Dubai	$16.92-7.07w	-0.405
Brent Blend (dated)	[illegible]8.45-8.47	-0.60
Brent Blend (Sep)	$18.60-8.62	-0.57
W.T.I. (1pm est)	$20.22-2.24w	-0.545
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$211-213	+4
Gas Oil	$161-163	-4.5
Heavy Fuel Oil	$99-101	-2.0
Naphtha	$169-174	-3
Jet fuel	$177-178	-2.5
Petroleum Argus Estimates		
■ OTHER		
Gold (per troy oz)♣	$380.45	-2.75
Silver (per troy [illegible])	621.00c	-6.50
Platinum (per troy oz.)	$419.75	-4.50
Palladium (per troy oz.)	$153.50	+1.25
Copper (US prod.)	114.0c	-2.0
Lead (US prod.)	37.75c	
Tin (Kuala Lumpur)	13.31m	+0.05
Tin (New York)	238.50c	-4.00
Cattle ([illegible])©	117.49p	+0.39*
Sheep ([illegible] weight)♠©	90.36p	+2.85*
Pigs (live weight)©	69.74p	-2.57*
Lon. day sugar (raw)	$298.40	+0.50
Lon. day sugar (wte)	$342.50	-0.50
Tate & Lyle export	£306.00	+1.00
Barley (Eng. feed)	£109.0t	
Maize (US No3 Yellow)	$142.0	
Wheat (US Dark North)	£180.0	
Rubber (Sep)♥	N/A	
Rubber (Oct)♥	N/A	
Rubber KL RSS No1 Aug	335.5m	-13.0
Coconut Oil (Phil)§	$585.0z	-10
Palm Oil (Malay.)§	$520.0w	-12.5
Copra (Phil)§	$382	-23
Soyabeans (US)	£175.0w	
Cotton Outlook 'A' index	77.85c	-5.5
Wooltops (64s Super)	440p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. t Oct/Dec. z Aug/Sep. w Sep. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week. © Prices are for previous day.

CROSSWORD

No.8,522 Set by HIGHLANDER



ACROSS

1 Book out – more deny involvement (11)
7 Is round and cold, like this (3)
9 Pale grey when female of species (5)
10 Agree on one performing instrument (9)
11 Rain ruined first dance with English dancer (9)
12 Tray doesn't have right ointment (5)
13 Register the arrival of restraint at home (5,2)
15 Ninny died – standard inscription for headstone (4)
18 Foreign character sounds like the person to start game (4)
20 Live with the bear, going wild (7)
23 Spreads the bread (5)
24 Not uniform of guerrillas (9)
26 Technically sexual intercourse includes no date qualification (9)
27 Cartoon colonel born with ability handicap (5)
28 Spot where bishop is (3)
29 Boxer set fire to women's racing crew (11)

DOWN

1 Entice defender to retreat (4,4)
2 At university hospital, more mature supporter (8)
3 Wise perhaps to represent Irene as picker of winners (5)
4 Old allotment address (7)
5 Golden place in Somerset where apples grow (7)
6 County provides bowls to rent (9)
[illegible] Guard is held out (6)
8 Pine, having lost one award (6)
14 Don't move Tower's cash register (4,5)
[illegible] Playing [illegible] everyone inside [illegible]
17 The month afterwards salesman has it broken down (8)
19 Permanent head of Bureau giving help outside (7)
20 Singer and sailor both taken up with titled person [illegible]
21 Bulb makes bird swear audibly (6)
22 Briefly look after [illegible] cavalry weapon [illegible]
25 Talk a [illegible] with the French film star of old (5)

Solution 8,521

POSTED STOPSOFF
Y M X R H Z R
READER CASANOVA
A L U D M N N N
MALINGER STREET
I P T G L O I
DEAR WATERMUSIC
R T G A S E
UPTOAPOINT STAG
N K N D F C A
TOILER BEARSOUT
R M S M R E U H
IMPROPER DECREE
E E U N Z S R
DULLTHUD SEWERS

JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Footsie scores strongest daily gain this year

By Terry Byland, UK Stock Market Editor

Highly positive developments, in terms of economic and corporate recovery as well as inflation and interest rate prospects, yesterday inspired the strongest session recorded this year on the UK stock market. The FT-SE 100 Index broke through an important chart point [illegible] close 60.1 higher on the day at 3,157.5 as investors moved in ahead of publication of the views on inflation expressed in the Bank of England's Quarterly Bulletin, which was released just before the equity market closed.

Firmness in the US dollar, overnight strength on Wall Street and reports from Tokyo that the US-Japan trade talks will reopen next month set the stage for a strong opening in London. Lingering [illegible] cerns [illegible] base [illegible] prospects were further calmed by [illegible] further round of benign operations in the London money market by the Bank of England.

Share prices, encouraged both by demand from stock [illegible] and strong gains in UK government bonds, had already achieved most of their gains before the Bank Bulletin was released, but closed very near to the best of the day.

Trading reports from British Petroleum and National Westminster Bank, both exceeding market expectations, underscored perceptions that share prices are now driven by prospects for higher company profits and dividend payouts, as well as by belief [illegible] inflation will remain under control in the UK.

The market was very confident at the close, although Wall Street disappointed with [illegible] virtually unchanged Dow Industrial Average. Equity chart specialists, pointing out that the Footsie had broken through an important testing level [illegible] 3,140, prophesied that the market could soon test the 3,200 level and then perhaps the 3,500 mark, still seen as the high end of analysts' forecasts for the year. The September contract on the Footsie touched 3,188 in late trading.

The FT-SE Mid 250 Index gained 32 points at 3,678.4, although the focus of the day was on the blue chip international stocks. Trading volume increased sharply towards the end of the session and Seaq volume finally totalled 810.3m shares, compared with 544.7m on Monday, when retail, or customer, business in equities was worth £1.22bn.

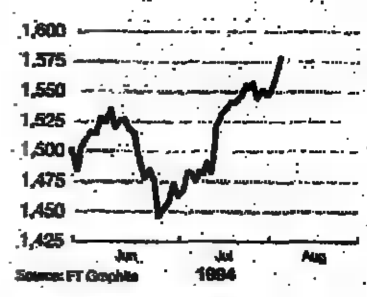
The strongest performances came among the dollar-orientated issues, with Glaxo and Shell Transport to the fore as the results from BP and National Westminster set the stage for an improving scenario.

The banking sector was in strong form, with the merchant banks and integrated securities trading houses in demand as investors weighed the implications for profit and [illegible] accounts of the resurgence of confidence in global markets. Consumer and retail stocks, including the leading UK high street traders, also advanced as the market took the view that higher base rates will probably be delayed until later in the year.

There were some warning voices, however, pointing out that rises in [illegible] only been postponed, and that strong corporate profits are likely to increase inflationary pressure. A more considered response to the Bank's Quarterly Bulletin is more likely to come today after strategists [illegible] leading [illegible] houses have had time to examine the Bank's comments on [illegible] more thoroughly.

Traders admitted that some leading houses had moved too strongly on to the bear tack on Friday afternoon, when the Bank's actions in the London money markets raised the alarm on base rate prospects. This meant that the sudden recovery in confidence brought a hurried scramble to buy stock which, with the stock index futures supplying extra pressure, inevitably drove share prices ahead very strongly.

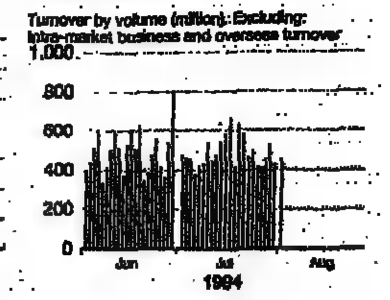
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	[illegible]	+60.1
FT-SE Mid 250	[illegible]	[illegible]
FT-SE-A 350	[illegible]	+26.5
[illegible]	1576.29	[illegible]
FT-SE-A All-Share yield	3.77	[illegible]
FT Ordinary index	[illegible]	[illegible]
FT-SE-A Non Fins p/e	19.81	(19.49)
FT-SE100 Fut Sep	[illegible]	+75.0
10 yr Gilt yield	[illegible]	[illegible]
Long gilt/equity yld ratio:	[illegible]	[illegible]

Best performing sectors

1. Household Goods ... +8.0
2. Tabacco ... +3.0
3. Merchant Banks ... +2.9
4. Pharmaceuticals ... +2.7
5. Telecommunications ... +2.7

Worst performing sectors

1. Insurance ... +0.1
2. Building & Cons ... +0.2
3. Water ... +0.2
4. Extactive Inds ... +0.5
5. FT-SE SmallCap ex IT ... +0.5

US takes shine off BP rise

Oil major BP pleased the market with a set of second-quarter figures well above market forecasts. The shares jumped 18 at one stage but in the afternoon US investors, who take a more cautious view of the stock, were happy to sell into strength and took the stock back to close 7 higher at 418½p. Turnover of 22m shares was the highest in London.

The unexpected element of the figures was the low tax charge, which encouraged analysts [illegible] by around £50m. Hoare Govett increased its full-year estimate to £1.4bn, while Mr Fergus Macleod of NatWest Securities argued that the temptation to take profits should be resisted ahead of a big presentation on the group's upstream performance in mid-September.

NatWest surprises

High Street bank National Westminster surprised the market – but more because of the performance of its shares than the details of its first half profits. Once the reduction in the bad debt charge had been taken into account underlying profits [illegible] by 9 [illegible] cent.

However, the [illegible] have fallen so far this year that by the time the figures came out they looked very cheap. Analyst Mr Michael Lever of Nomura [illegible] "It [illegible] cheapest in the sector in p/e terms. The results were disappointing in terms of underlying profits but this was more than adequately compensated by the rating."

The stock rose 17 to 470p, with a number of investors taking the opportunity to close [illegible] bear positions.

Dollar issues surge

A sharp rise in the dollar [illegible] internationally [illegible] stocks stand out strongly. ICI, still benefiting from [illegible] strong figures, gained 23 at 860p, while Reuters added 21 at 489p, Glaxo 21 at 594p and Unilever 23 at 1046p.

Unilever is due to report second-quarter results on Friday, and Strauss Turnbull reiterated its positive stance. The house forecasts a slight decline in profits to £588m but expects [illegible] second half boost from a recovery in European demand and the benefits of recent [illegible] restructuring.

Cable and Wireless, another [illegible] beneficiary, received [illegible] support from a Hoare Govett [illegible] argues that the company's non-Hong Kong operations are [illegible] "close [illegible] five-year low" and a share price of 580p would reflect the true valuation more closely. The shares strengthened 15 to 451p.

[illegible] goods [illegible] Reckitt & Colman, usually [illegible] niggardly market performer, jumped 25 to 613p as [illegible] reshuffle at S.G. Warburg prompted the house to boost its [illegible] mendation to buy from hold.

[illegible] acknowledges [illegible] earnings growth is not [illegible] of [illegible] company's big strengths [illegible] stock is on a 10-year p/e relative low and yield relative high and sees [illegible] 10 [illegible] upside in [illegible] share price.

[illegible] Commercial Union fell 9 to 539p on nervousness ahead of the expected rights issue needed to fund the acquisition of Groupe Victoire, of France.

Among food retailers, bid target William Low slipped 4 to 336p as hopes for a counter-bid from Tesco receded slightly. J. Sainsbury, which last week [illegible] for the Scottish supermarket group, [illegible] 7 at 419p. Tesco, whose £155m agreed offer for Low two [illegible] was trumped by Sainsbury, put on [illegible] 243p.

Tate & Lyle [illegible] 442p, with [illegible] Lyonnais Laing said to be recommending the stock.

A mixed trading statement [illegible] Burton was [illegible] positively by the market and the shares [illegible] the [illegible] 3 ahead at 59½p. Disappointing [illegible] during [illegible] weeks to the end of July were offset by better-than-expected gross margins. The company also said it was closing its "IS" discount [illegible] were edged upwards, with [illegible] Govett now looking for £42m this year and £63m in 1995. The broker also upgraded the stock.

Brewers and spirits [illegible] responded [illegible] reports [illegible] increased [illegible] during the recent spell of hot weather in the UK and the government's [illegible] Paper on extending licencing hours. Bass advanced 13 to 568p, Grand Metropolitan [illegible] to 424p and JD Wetherspoon 19 to 395p.

Agency broker James Capel placed the rump of the recent rights [illegible] from Greycoat, 21.75m shares being sold to a range of institutions at 14¼p. Greycoat shares added a penny at 15½p. Elsewhere, MEPC continued to benefit from reports of its finance-raising exercise in Australia. The shares gained 12 to 470p.

Meanwhile, Capels, reknowned bulls of the property sector, reported unexpectedly strong rental growth, particularly in London's West End and City office markets. The broker recommended Land Securities, up 16 at 673p, and British Land, ahead 9 to 432p, as being well placed to benefit from the renewed optimism.

British Aerospace improved 10 to 511p after a positive note from Hoare Govett, the group's broker, landed on clients' desks yesterday. The focus of the circular is BAe's long term potential but the broker also increased its current year profits forecast by £10m to £170m.

Margins worries at vehicle distributor Cowie Group sent the shares tumbling 12 to 256p, after the group reported a robust set of interim figures with profits up 32 per cent to £20.5m. Lex Service which recently came under similar pressure following its results, relinquished 7½ [illegible] 422p, in sympathy.

Engineering company TI Group closed 15 at 402p ahead of interim figures tomorrow.

Lucas Industries put on 8 to 203p with [illegible] big buyer of the [illegible] said [illegible] have been waiting in the wings.

Resignation due to ill [illegible] of the deputy Chairman at Hall Engineering left the shares trailing 13 at 180p.

Airline British Airways was restrained to a rise of only 3 to 421p, in trade of 3.8m. Dealers reported some nervousness ahead of today's publication of July traffic figures.

Yorkshire Chemicals, the colours [illegible] dye based group, bumped up 29 [illegible] 421p [illegible] announcing first half profits of £27.2m [illegible] the top end [illegible] city expectations. Holliday Chemicals moved up 13 to 235p ahead of [illegible] results next week.

Constructions group Havelock Europa edged up 8 to 177p after it was chosen by Camelot, operator of the national lottery, to fulfil a substantial proportion of its requirements. Elsewhere in the sector, Smith New Court, recommended housebuilder firms Bryant Group at 154p and Beazer Homes at 157p.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Saqib Qureshi.

■ Other statistics, Page 16

NEW HIGHS AND LOWS FOR [illegible]

NEW HIGHS (53).
BLDG MATLS & MCHTS (1) Shaw (A), CHEMICALS [illegible] BOC, Hoechst, Holliday, ICI, Inspec, DIVERSIFIED INDLS (1) Sime Darby, ELECTRNC & ELECT EQUP (6) Acorn Computer, Alba, Ericsson (LM), Nokia Prf., Unitech, [illegible] (1) Castings, ENG. VEHICLES (3) TAN, LPF, EXTRACTIVE INDS (4) Coal Inv. Wts., [illegible] Pacific Arc Expln., Sons Gwalia, [illegible] GOODS (1) Royal Doulton, INSURANCE (1) Lombard, INVESTMENT TRUSTS (10) INVESTMENT [illegible] First Pacific, World Trust Wts., OIL EXPLORATION & PROD (3) Aran Energy, Premier, Southern Pacific, OIL, INTEGRATED (3) British [illegible], Norsk Hydro, OTHER SERVS & [illegible] (1) Great Southern, PRTNG, PAPER & PACKG (2) Sappi, Smurfit (J), RETAILERS, FOOD (2) Greggs, Low (W), RETAILERS, GENERAL [illegible], Vendome Luxury Uts., SPIRITS, [illegible] & CIDERS (1) Matthew Clark, SUPPORT SERVS (2) Real Time Control, Serco, TRANSPORT (1) P & O 5½pc. Pfd., WATER (1) South Staffs, AMERICANS (2) Amer. Cyanamid, Decora, CANADIANS (1) Gulf Canada.

[illegible] (36).
BUILDING & CNSTRN (4) Andrews Sykes, Birse, Raine, Try [illegible] DISTRIBUTORS (1) Appleyard, [illegible] & ELECT EQUP (4) DRS Data Res., Forward, Industrial Control, Vtech, ENGINEERING (2) Hunting, Richards, EXTRACTIVE INDS (2) Andaman, Northam Platinum, HEALTH CARE (3) Celsis Intl., Court Cavendish, Tepnel Diagnostics, HOUSEHOLD GOODS (2) Jaye, Lionheart, INSURANCE (1) Independent, INVESTMENT COMPANIES (1) Spanish Smaller Co's, LEISURE & HOTELS (1) City Centre Restaurants, OIL EXPLORATION & PROD (1) Pacrim Energy, OTHER FINANCIAL (4) Energy Capital, Intrum Justitia, London Forfaiting, Towry Law, PRTNG, PAPER & PACKG (1) Norcor, PROPERTY (3) Hemingway 7½pc Ln 2027, Peel, [illegible] FOOD (1) [illegible] Bros., RETAILERS, [illegible] (1) Wyevale Garden Centres, SUPPORT SERVS (3) Mayo, Penna, Sungard Data, TEXTILES & APPAREL (3) Richards, Sirdar, [illegible] (1) [illegible] AMERICANS (2) Hasbro, Maxy Technology.

EQUITY FUTURES AND OPTIONS TRADING

The near month Footsie futures contract broke through three recent resistance levels to finish strongly as talk of a big buyer and prospects of economic recovery brought active buying, *writes Joel Kibazo.*

Trading in the September futures contract on the FT-SE 100 started at 3,122. Rumours that there was a buyer of 1,000 lots in each of the leading European futures markets swept through the sector, driving the contract strongly ahead.

The rally by the US dollar and the strong overnight performance on Wall Street were factors adding to the positive mood of the market, encouraging further buying. September powered ahead, breaking through several resistance levels to trade comfortably above 3,150. The contract stretched its premium to cash as the session progressed and dealers reported strong arbitrage activity.

It closed at 3,183, up 75 from its previous close and around 22 points above its estimated fair value premium to cash of about 6 points. Volume was 18,983 lots.

Turnover in trade options improved to 32,518 contracts from Monday's 27,320. FT-SE 100 option volume was 14,989 lots and 2,613 contracts were dealt in the Euro FT-SE option. Guinness was the busiest stock option with a total of 2,030 trades.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	3183.0	+75.0	3188.0	3117.0	18983	54624
Dec	3133.0	[illegible]	+77.0	[illegible]	3133.0	398	3792

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3670.0	[illegible]	+35.0	[illegible]	3670.0	9	4469

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	[illegible]	3,680.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3158) £10 per full index point

[illegible]	[illegible]	[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]	[illegible]	[illegible]

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

[illegible]	[illegible]	[illegible]

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
ASDA Group†	10,000	60	+½
Abbey National†	3,600	393½	+6½
Albert Fisher	705	46	+1
Allied-Lyons†	1,400	583	+10
Anglian Water	1,200	538	-5
Argos	367	380	+4
Argyll Group†	2,700	274	+4
Arjo Wiggins†	901	264	+4½
Assoc. Brit. Foods†	155	582	+16
Assoc. Brit. Ports	366	330	-5
BAA†	1,000	961	+10
BAT Inds.†	6,300	460	+15
BET	2,500	118	
BICC	349	405	+1
BOC†	1,500	760	+11
BP†	22,000	418½	+7
BPB Inds.	1,300	334	+1
BT†	9,300	378½	+5½
BT (Partly Pd)	8,700	256	+6
BTR†	10,000	394	+10
Bank of Scotland†	2,300	195	+1
Barclays†	7,800	585	+11
Bass†	3,300	568	+13
Blue Circle†	3,500	319	+5
Booker	585	411	-2
[illegible]	[illegible]	[illegible]	[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]	[illegible]	[illegible]

FT GOLD MINES INDEX

[illegible]	[illegible]	[illegible]

FT - SE Actuaries Share Indices — The UK Series

[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries All-Share

[illegible]	[illegible]	[illegible]

■ Hourly movements

[illegible]	[illegible]	[illegible]

■ FT-SE Actuaries 350 Industry baskets

[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	0	[illegible]
Other Fixed Interest	3	[illegible]	12
Mineral Extraction	62	54	84
General Manufacturers	209	62	366
Consumer Goods	85	18	105
Services	151	[illegible]	[illegible]
Utilities	[illegible]	[illegible]	[illegible]
Financials	[illegible]	[illegible]	[illegible]
Investment Trusts	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	[illegible]	[illegible]	[illegible]

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

[illegible]	[illegible]	[illegible]

FINANCIAL TIMES EQUITY INDICES

[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22⅞	-⅞	£25½	£20⅞	6,785	4.9	ф
ANZ A$		186¼	-½	278¼	179¼	2,817	4.9	29.4
Abbey National	†N□	390½	+5½	523	381	5,123	5.1	12.9
Allied Irish I£	♣N□	257	+4	314	234	1,893	4.9	9.9
Anglo Irish I£	♣N□	68	+2	*70	50	189.6	7.4	10.6
Asahi Y		795¼	-13	819¼	632	16,464	0.6	ф
Banco Bil Viz Pta		£15⅞	+⅞	£16¼	£14⅛	3,878	5.3	7.0
Banco Sant Pta		£25¼	-3⅜	*£30½	£23⅞	3,816	5.7	8.8
Bk Ireland I£	♣□	278	+1	*319	246	1,313	4.7	8.0
[illegible]	♣N□	185	+1	247	172½	2,158	3.4	15.1
[illegible]		115¼	+½	141½	114	115.8	10.0	–
[illegible]		120	+½	148½	119¼	[illegible]	10.2	–
[illegible]	♣N□	568	+11	640	487	[illegible]	3.3	23.5
[illegible] Y		£12⅞	-⅛	£12⅞	£10⅝	38,350	0.4	–
[illegible]		£302⅞	-1⅛	£344¼	£270⅞	14,427	2.2	–
[illegible]		£18¼	—	£26⅞	£17⅝	199.7	4.2	4.6
First Nat Fin	N□	86	—	*90	60	109.7	2.9	–
6.3pc Cv Pf		78	—	*90	77	6.24	10.1	–
7pc Cv Pf		127	—	171	123	80.3	8.9	–
Fuji Bank Y		1478	-14½	1549¼	1152½	42,818	0.4	ф
HSBC [illegible]	N□	807	+15	1133	680	14,122	3.6	11.7
HSBC (75p Shs)	N□	793	+16	1113	660	6,732	3.7	11.5
Lloyds	†N□	544	+6	650	519	7,039	5.4	10.6
Mitsubishi Y		£16⅞	-⅛	£18⅛	£15⅝	[illegible]	0.3	ф
Mits Tst & Bk Y		1028½	-10½	1162¼	687½	[illegible]	0.5	16.0
Mitsui Tst & Bk Y		776¼	-3	879	514	[illegible]	0.7	25.7
Nat Aust A$	†	523¼	-1½	620¼	489¼	[illegible]	5.4	10.3
[illegible]	†N□	470	+17	622	421	7,820	5.2	10.6
[illegible]		£23½	—	£33	£23½	117.5	6.2	ф
[illegible]	♣†N□	392	+2	508	377½	3,056	3.9	17.3
[illegible]		£9⅞	-⅛	£9⅞	£8⅛	30,449	0.8	55.7
Sanwa Y		£14⅛	-⅛	£15⅜	£11⅞	40,715	0.4	ф
Standard Chartd	N□	280	+12	*359¼	223	2,890	2.7	12.3

CHEMICALS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

Approved by the Inland Revenue

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap £m	Yld Gr's	P/E
[illegible]								
TVX Gold	♥	37½p	-12¼	473½p	333½p	[illegible]	–	
Toronto-Dom		9½	+⅛	11⅝	9⅞	[illegible]	3.9	
Trans Can Pipe	♥	8	+⅛	10⅛	7⅞	[illegible]	4.9	

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	low	Mkt Cap £m	Yld Gr's	P/E
Anglo Am Ind		627	—	627½	213½	[illegible]	2.7	18.7
Barlow	Z	645	—	[illegible]	[illegible]	[illegible]	0.7	–
Gold Flds Prop R		112	—	115	78	[illegible]	9.1	♦
MK Props	♦	65	—	65	65	[illegible]	10.5	34.9
SASOL	♥	394	—	493	280	[illegible]	3.6	–
SA Brews		£12⅛	—	£15⅛	£10	[illegible]	2.3	19.6
Tiger Oats	†	613	—	636	538	[illegible]	2.8	12.9
Tongaat-Hulett		661	—	*739¼	427½	[illegible]	2.3	19.0

GUIDE TO LONDON SHARE SERVICE

[illegible] the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

[illegible] classifications are based on those used [illegible] FT-SE Actuaries [illegible]

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend [illegible] in the notes column daily as a guide to yields and P/E ratios. [illegible] Dividend covers are published on [illegible]

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution [illegible] per share being computed on profit after taxation, excluding [illegible] profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent [illegible] allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share [illegible] NAV basis assumes prior charges at par value, convertibles [illegible] and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the [illegible] national system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates [illegible] preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on [illegible] 1993.
K Yield based on prospectus or other official estimates for 1994.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for

1993-94.
H Figures based on IMR 'Headline Earnings'
P Figures based on [illegible]
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT2972. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availabilty.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call [illegible] 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices [illegible] available [illegible] the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: [illegible] issue price. The price at which units [illegible] by investors.

BID PRICE: Also [illegible] redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

■ FT Cityline Unit Trust Prices are [illegible]ble over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Thornton Unit Managers Ltd - Contd.

Waverley Unit Tst Mngmt Ltd (1000)F
13 Cheshire Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mngmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG 081-298 4000

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

CAF - Charity Money Management
48 Pembury Rd, Tonbridge TN9 2JD 0732 770114

CBI Unit Trust Managers Ltd

INSURANCES

Abbey Life Assurance Co Ltd - Contd.

Abbey National Life Plc
237 St Vincent Street, Glasgow 041 305 8000

Acuma Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd
AEGON Hse, Lanark Sq, London E14 9QD 071-538 8800

Century Life Plc

City of Westminster Assurance Co

Clerical Medical

Friends Provident

Irish Life Assurance Co Plc - Contd.

M & G Life and M & G Pensions - Contd.

Norwich Union Life Insurance Soc.

Prudential Corporate Pension Funds - Contd.

FT MANAGED FUNDS SERVICE

■ FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) [redacted] for more details.

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

Sun Alliance Group - Contd.

CMI Insurance Co Ltd - Contd.

Scottish Provident Intl Life Ass Ltd - Contd.

Sun Alliance International Life

Hambros Fd Mgrs (CI) Ltd

Yamaichi Capital Mngt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GT Asset Management (Ireland) Ltd

Gaiacorp Ireland Limited

Hambros Fund Managers (Ireland) Ltd

Kleinwort Benson Bond Arbitrage Fund Plc

Kleinwort Benson Derivative Products Fund Plc

Capital House Fund Mgrs - Contd.

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Mngrs Intl Ltd

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

ANZ Magnet Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

IRELAND (REGULATED)(**)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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هكذا من الاصل

FT MANAGED FUNDS SERVICE

● FT [illegible] Unit Trust Prices [illegible] available over the telephone. Call the FT Cityline Help [illegible] (071) 873 4378 for more details.

Warburg Asset Management Jersey Ltd

Foreign & Colonial Emerging Markets Ltd (a)

S.G. Warburg Asset Mngmt Lux SA - Contd.

HSBC IMPT Luxembourg SA

Swiss Financial Services SA Lux

The Environmental Investment Co Ltd

Jardine Fleming Unit Trusts Ltd - Contd.

Putnam Emerging Funds Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED(**))

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar rises above Y100

Conciliatory [illegible] from Japanese officials yesterday helped the market [illegible] about a trade war between the two countries, driving the dollar above Y100, *writes Philip Gawith.*

The markets [illegible] a benign view of the breakdown in talks, buoyed by comments from a Japanese Foreign Ministry official that talks might resume in early September.

The dollar finished in London more than 1½ yen firmer at Y100.4150 from Y98.85. It was also higher against the D-Mark, finishing at DM1.5814 from DM1.5743.

In the UK interest rate sentiment was improved by the [illegible] of England's latest inflation report and a further calming [illegible] about an imminent interest rate rise.

Three month sterling LIBOR traded [illegible] per cent, down from [illegible] cent [illegible] Monday. Short sterling futures also recovered, with the September [illegible] closing four basis points firmer [illegible] 94.21. [illegible] firmed further to 94.28 after the release of [illegible] inflation report.

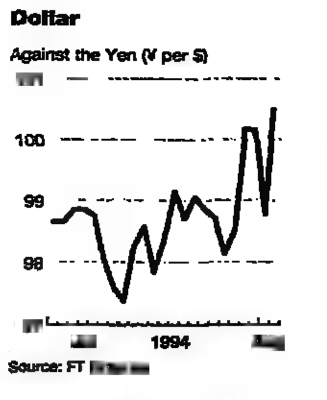
The [illegible] weighted sterling index finished firmer [illegible] from 79, but the pound weak[illegible] the release of [illegible] Bank [illegible] England's monetary report which was more bullish than expected [illegible] inflation. The [illegible] currency [illegible] in London at DM2.4346 from DM2.4221. It was little changed against [illegible].

Trade in Europe was thin [illegible] holiday spirit [illegible]. The [illegible] weak, finishing unchanged [illegible] L1,003 against the D-Mark.

■ Analysts [illegible] split [illegible] whether the dollar's breach [illegible] Y100 marked a change [illegible] sentiment, or simply [illegible] temporary recovery [illegible] the downward [illegible] was resumed.

Two [illegible] seemed to underpin the dollar's firmness: the belief in some quarters [illegible] the Clinton administration [illegible] pursuing [illegible] strong dollar, [illegible] a benign neglect, policy; [illegible] the view [illegible] the [illegible] row will [illegible] resolved.

The [illegible] is clearly [illegible] the [illegible] both parties [illegible] a [illegible] badly, and hence [illegible] before the end September [illegible].



Source: FT [illegible]

■ [illegible] in New York

Aug 2	—Latest—	— Prev. close —
[illegible]	1.5380	1.5360
1 mth	1.5370	1.5347
3 mth	1.5354	1.5328
1 yr	1.5260	1.5220

Mr [illegible] Hannah, [illegible] of research at the Industrial Bank [illegible] Japan in London, [illegible] a further factor: a change in US–Japan capital flows. "We have [illegible] quite important switching [illegible] of [illegible] into [illegible] assets by international investors."

"There may be a tide turning here [illegible] the yen. People [illegible] showing much [illegible] of [illegible] preparedness [illegible] risk a [illegible] per cent loss [illegible] currency. Increasingly people are getting attracted to the higher yields [illegible] US."

Mr Hannah [illegible] the dollar [illegible] potential [illegible] Y102-3 [illegible] September deadline.

In contrast, Mr Nick Stamenkovic, economist [illegible] DKB International in London, [illegible] although the market was taking the view that a compromise trade [illegible] would [illegible] reached, he would not rule [illegible] a further bout [illegible] strength.

■ The [illegible] of England, in [illegible] daily monetary operations, underlined [illegible] that interest [illegible] remained unchanged. [illegible] forecasting [illegible] shortage [illegible] £1.1bn, [illegible] offered an early round of assistance to the market of [illegible].

The Bank [illegible] provided a further [illegible] after revising the shortage to £1.3bn. Overnight money traded between 2 per [illegible] and 5 per cent.

[illegible] Bank's accommodating [illegible] helped [illegible] of a rise in interest rates, reflected in the better performance [illegible] short sterling and cash rates in the money market.

The fall in the [illegible] of three month money should assist the Bank in handling this Friday's Treasury bill tender.

Markets continued [illegible] be much occupied with last week's treasury bill auction which fuelled speculation [illegible] higher interest rates. Following earlier near blanket condemnation of the Bank, some revisionist voices have started to [illegible].

[illegible] market [illegible] scathing about the [illegible]tion of the City and much press comment, saying it had been [illegible] best mischievous, [illegible] manipulative. "I [illegible] it was downright irresponsible," he said.

[illegible] that the [illegible] inflation bulletin suggested they did not believe [illegible] large inflation [illegible] in the [illegible], he continued: "You [illegible] the impression that the market [illegible] much more [illegible] about inflation than the Bank is."

Mr Hannah [illegible] IBJ [illegible] Friday's [illegible] just [illegible] "unsubtle" [illegible] of preparing the market for higher rates. "The Bank is experienced enough to know exactly how [illegible] react."

He [illegible] they [illegible] part of [illegible] pattern [illegible] events, including Mr Eddie George's Mansion [illegible] speech, [illegible] he [illegible] inevitable, [illegible] monetary minutes, that there was an advantage in raising rates before inflation rose.

[illegible] Hannah [illegible] activities had had [illegible] impact [illegible] putting the market on interest [illegible] alert. This meant the UK would probably avoid the ructions [illegible] followed [illegible] first policy tightening in [illegible] year.

"It [illegible] regarded as successful monetary management," he said.

■ OTHER CURRENCIES

Aug 2	£	$
Hungary	[illegible] - 158.700	[illegible]
[illegible]	2698.00 - 2701.00	1748.00 - 1750.00
[illegible]	0.4584 - 0.4594	0.2975 - 0.2983
Poland	34932.1 - 34994.2	22695.0 - 22725.0
Russia	[illegible] - 3182.36	2063.00 - 2067.00
U.A.E.	5.6407 - 5.6622	3.6710 - 3.6725

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	[illegible]	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	[illegible]	18.61	[illegible]	2.024	[illegible]	5.484	21.20	484.9	400.1	23.78	4.099	1.998	4.2[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	52.33	[illegible]	8.692	2.543	1.059	2560	2.854	[illegible]	259.0	[illegible]	[illegible]	[illegible]	1.045	2.2[illegible]	[illegible]	[illegible]	[illegible]
France	(FFr)	60.20	11.50	10	2.926	1.219	2934	3.284	12.76	[illegible]	[illegible]	[illegible]	2.468	1.202	2.5[illegible]	[illegible]	[illegible]	[illegible]
Germany	(DM)	20.58	3.933	3.418	1	0.417	1003	[illegible]	4.363	101.6	82.33	4.893	0.843	0.411	0.8[illegible]	[illegible]	[illegible]	[illegible]
Ireland	(I£)	49.40	9.440	8.206	2.400	1	2407	[illegible]	10.47	244.5	197.8	11.75	2.025	0.986	2.1[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	2.052	[illegible]	[illegible]	[illegible]	[illegible]	100.	0.112	[illegible]	[illegible]	8.210	[illegible]	[illegible]	0.041	0.0[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA INT. RATE FUTURES (LIFFE) L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

[illegible]

BASE LENDING RATES

[illegible]

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 2 / Sch)

BELGIUM/LUXEMBOURG (Aug 2 / Frs.)

DENMARK (Aug 2 / Kr)

FINLAND (Aug 2 / Mkk)

FRANCE (Aug 2 / Frs.)

GERMANY (Aug 2 / Dm.)

ITALY (Aug 2 / Lire)

NETHERLANDS (Aug 2 / Fls.)

NORWAY (Aug 2 / Kroner)

SPAIN (Aug 2 / Pts.)

SWEDEN (Aug 2 / Kronor)

SWITZERLAND (Aug 2 / Frs.)

PACIFIC

JAPAN (Aug 2 / Yen)

HONG KONG (Aug 2 / H.K.$)

MALAYSIA (Aug 2 / MYR)

SINGAPORE (Aug 2 / S$)

AUSTRALIA (Aug 2 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Aug 2 / Can $)
4 pm close

MONTREAL (Aug 2 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Aug 2 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, August 2, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Hvy	7.6m	809	+18	Toshiba	3.5m	778	+29
Mitsubishi Oil	4.9m	1170	+10	Sumitomo Mtl	3.0m	303	+2
Hitachi	4.0m	1010	+41	Daiwa House	3.0m	1480	+30
Nippon Steel	3.7m	345	+9	Kawasaki Hvy	2.7m	447	-2
Kobe Steel	3.3m	302		Fujitsu	2.7m	1070	+40

INDICES

US INDICES

Industrial¶	530.96	524.08	529.40	[illegible] (2/2)	510.05 (21/4)	[illegible] (2/2/94)	3.62 (21/6/32)
Financial	45.25	45.12	44.77	[illegible] (14/8)	41.30 (4/4)	[illegible] (20/8/93)	8.64 (1/10/74)
NYSE Comp.	254.05	252.52	250.60	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (28/4/42)
Amex Mkt Val	439.62	437.09	433.89	[illegible] (2/2)	422.67 (20/6)	[illegible] (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	724.85	722.16	712.43	[illegible] (18/3)	693.79 (24/6)	[illegible] (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jul 29	Jul 22	Jul 15	Year ago
Dow Jones Ind. Div. Yield	2.72	2.74	2.71	2.88
	Jul 27	Jul 20	Jul 13	Year ago
S & P Ind. Div. yield	2.45	2.46	2.47	2.55
S & P Ind. P/E ratio	23.13	23.07	22.93	25.09

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	461.10	461.90	+0.80	462.35	460.90	73,558	198,153
Dec	-	463.55	-	-	-	1,233	14,125
Mar	-	466.95	-	-	-	175	2,930

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Carter Wal	5,482,800	10⅞	-4⅛
Gen Motors	3,128,100	52⅝	+1⅛
RJR Nabisco	3,070,100	6⅝	+⅛
Ford Motor	2,959,100	31⅞	—
Merck	2,254,900	29⅝	—
Compaq	2,233,100	32⅝	+⅛
Philip Morris	2,186,900	54⅝	-⅛
Telefonos	1,985,400	61⅝	+⅛
Blockbuster	1,903,000	26⅝	+⅛
McDonalds	1,853,200	27⅝	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Aug 1	Jul 29	Jul 28
New York SE	258.167	289.538	245.993
Amex	13.016	15.393	16.441
NASDAQ	251.709	274.501	241.031
NYSE			
Issues Traded	2,847	2,867	2,842
Rises	1,418	2,629	1,079
Falls	776	614	999
Unchanged	653	624	764
New Highs	55	45	33
New Lows	31	44	60

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Aug	2086.0	2132.0	+55.0	2132.0	2082.0	-	21,944
Sep	2101.0	2140.0	+55.0	2138.0	2101.0	934	27,083
Dec	2130.0	2169.0	+55.0	2158.0	2129.0	7	7,873

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

4 pm close August 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
17 3/8	13 3/8	AAR	0.48	3.4	75	69	14 1/4	14	14 1/4	+1/8
18 7/8	13	A L Labs A	0.18	1.4	29	129	13 3/8	d12 5/8	12 7/8	-1/4
75 1/4	57 5/8	AMP x	1.68	2.3	28	4061	75	73 5/8	74	+1/2
72 1/4	52 1/8	AMR			101	6070	58 1/2	57 7/8	58 1/8	-1/8
5	3 3/8	ARX			14	660	4 1/8	4	4 1/8	
56 1/8	38 5/8	ASA	2.00	4.4	30	1100	45 5/8	45	45 3/8	-1/2
31 3/8	25 3/8	AbbotL	0.76	2.7	16	8722	28 5/8	27 3/4	28 5/8	+1/2
13 3/4	11 3/8	Abitibi Pr	0.50	3.9	9	271	12 7/8	12 5/8	12 7/8	+1/4
23 5/8	17 3/4	ABM Ind	0.52	2.4		50	22	21 3/4	22	+5/8
13 3/4	11 1/8	Acptncelrl			24	57	13 3/8	12 7/8	13 3/8	+1/4
31	22 3/4	ACE Ltd	0.44	1.8	3	160	24	23 5/8	23 7/8	+1/8
12 1/2	10 1/8	ACM Gvt In x	1.09	10.3		517	10 5/8	10 3/8	10 5/8	+1/4
10 1/8	7 7/8	ACM GvOpp x	0.80	9.8		15	8 1/8	8 1/8	8 1/8	
10 5/8	7 3/4	ACM Gvt Sp x	0.96	12.2		327	8 1/8	7 7/8	7 7/8	-1/4
12	9	ACM Gvt Se x	1.09	12.0		489	9 1/4	9 1/8	9 1/8	
11 3/4	8 3/8	ACM Mgd x	1.08	12.5		303	8 3/4	8 1/2	8 5/8	+1/8
9 1/4	8	ACM Managd x	0.72	8.0		128	9 1/8	d8	9	-1/8
15 1/2	8 3/4	AcmeClv x	0.44	3.8	14	53	11 1/2	11 3/8	11 5/8	+1/8
9 1/4	6 1/2	Acme Elect			6	69	8 5/8	8 1/8	8 1/2	+1/8
28 3/4	23	AcordSa	0.60	2.4	12	5	25 3/8	25 1/8	25 1/8	-3/8
9 3/8	5 3/4	Actava	0.36	3.7	3	645	u10 1/2	9 1/4	9 3/4	+5/8
15 5/8	11 1/4	Acuson			96	283	12 5/8	12 1/8	12 1/2	-1/8
18 3/8	16 1/2	Adams Expr	0.48	2.8	0	158	17 3/8	17 1/4	17 1/4	
64	48 1/2	Ad Micro	3.00	5.4		50	56 1/4	55 3/4	56	
31 3/4	16 3/4	AdvMic	3.00	11.2	11	3259	27 3/8	26 5/8	26 7/8	-1/8
6 7/8	5	Advest Grp	0.16	3.2	7	46	5 1/8	d5	5	-1/4
20	15	Advo Inc	0.10	0.6	111	220	17 1/8	16 1/2	16 3/4	-1/4
57 1/4	49 3/8	Aegon ADR	2.95	5.2	12	40	56 3/4	55 3/8	56 5/8	+1 3/8
65 1/4	49 3/4	AetnaL x	2.76	5.4	7	6690	51	d49 3/4	50 3/4	-3/8
35 3/4	25 1/4	Aflac	0.46	1.3	15	1913	35 3/8	34 1/2	34 7/8	-1/4
20 1/2	16 3/8	Ahmanson	0.88	4.4	14	672	20 3/8	20	20	-1/8
4	1 3/8	Aileen Inc			1	14	1 7/8	1 3/4	1 7/8	
49 7/8	38 7/8	AirPrC	0.98	2.0	27	5294	49 3/4	48 1/8	49 1/2	+1 1/8
39 7/8	26 3/8	Airbne Frt	0.30	1.1	15	4232	26 3/4	d26 1/4	26 1/2	-1/8
28 1/2	19 3/4	Airgas Inc			48	346	27 7/8	27 1/2	27 1/2	-1/8
16 7/8	14 3/4	Airlease	1.84	11.4	12	29	16 1/4	16 1/8	16 1/8	-1/8
26 3/4	21 3/8	AirTch				6784	25 3/8	25 7/8	26 1/8	+1/8

Continued on next page

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NYSE C

AMEX COM

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Financial Times Europ

4 pm close August 2

NYSE COMPOSITE PRICES

1994 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
62½	47⅞	StJoePaper	0.20	0.3	312	153	59½	57¾	59⅜	+1⅝
30¼	25	StJoeL&P x	1.80	6.7	13	29	26¾	26½	26¾	
45	37¼	StPaul	1.50	3.5	4	1658	42⅞	42¼	42⅜	+¼
9⅜	6	Salant Crp			7	16	6⅛	5⅞	5⅞	
40⅞	34⅛	Sallie Mae	1.40	4.0	7	1997	35	34¾	34⅞	-¼
13⅞	11⅞	Salomon Br x	0.32	2.6		536	12½	12¼	12¼	-⅛
52¾	42½	Salomon	0.64	1.4	6	4350	45½	44	45	+1⅜
25	17½	SaDgGE	1.52	7.4	11	810	20⅝	20⅜	20⅝	+¼
10	7½	SantaFeEle	0.16	1.7	9	723	9¾	9½	9⅝	
15¾	13½	SFeSo				3894	14¼	14	14	-½
40	31½	SantaFePac x	2.80	7.7	17	29	36¾	36½	36½	+⅛
28¼	18½	SanFeP	0.10	0.5	11	3572	20⅞	20¼	20⅝	-¼
26	19⅝	SaraLee	0.64	3.1	14	4243	21	20¾	20¾	-⅛
50⅛	42⅛	Scana Corp	2.82	6.2	12	293	45¾	45	45⅝	+¾
20½	12½	Scecrp	1.00	7.2	9	11028	14	13⅞	13⅞	+⅛
40½	31¾	ScheringP			26	273	37¾	36⅞	36⅞	-½
69⅜	54½	SchrPl x	2.04	3.1	15	4797	66¼	62¼	65¼	+3½
63	50¾	Schlmb x	1.20	2.0	24	4000	60⅝	59¾	59¾	-½
33⅞	23⅞	Schwab(C) x	0.26	1.0	13	2731	28⅝	27⅛	28⅛	+⅞
10¾	6⅛	Schwitzer			26	850	9⅝	9¼	9⅜	
38⅝	24⅞	SciAtl	0.12	0.3	69	2099	35⅛	34¾	34⅞	-½
16⅞	13	Scotman	0.10	0.7	19	110	14⅜	14⅜	14⅜	
58½	37¼	ScottP	0.80	1.3	16	11062	u60⅝	58½	60	+1½
28⅝	18⅝	ScudderNAmF	0.21	0.9		218	24⅛	23¾	24⅛	+⅜
12⅝	9½	ScudderNEuF	0.16	1.5		266	10⅝	10⅜	10⅝	+⅛
18¼	13½	SeaCnB x	0.70	4.3	8	3	16⅜	16⅛	16⅜	
16½	14⅞	SeaC1.4625	1.46	9.3		2	15¾	15¾	15¾	
32	26¼	Seagrm	0.56	1.8		9524	31¼	31	31⅛	+¼
29¾	23	Seagull En				625	25	24½	24⅞	-⅛
31⅞	28⅝	Sealed Air								

NASDAQ NATIONAL MARKET

4 pm close August 2

AMEX COMPOSITE PRICES

4 pm close August 2

FINANCIAL TIMES

Wednesday August 3 1994

AMERICA

Latest data fail to provide fresh impetus

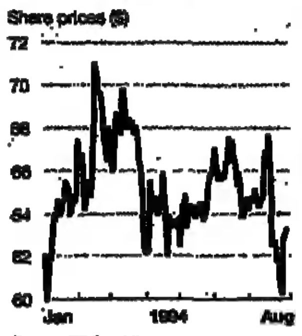
Wall Street

US stocks paused after a two-day rally yesterday morning in spite of more economic data which may help to delay the next move to tighten monetary policy, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 2.26 firmer at 3,800.43, while the more broadly based Standard & Poor's 500 was up just 0.13 at 461.14 in moderate activity. In the secondary markets, the American SE composite was off 0.18 at 439.44, but the Nasdaq composite inched 0.55 ahead to 725.41.

When the session began, stocks appeared to be heading for their third big gain in a row. The Dow industrials opened 12 points higher, building on a powerful 67-point advance which began last week.

United Technology



Source: FT Graphite

Yesterday's economic news provided additional support to a scenario which had triggered the rally on Friday.

The Commerce Department announced that sales of new single-family homes had dropped by 14.1 per cent in June to an annualised rate of 591,000. Analysts, who had expected a much more modest decline, said the downturn was evidence of the effect of a more restrictive monetary policy.

The data supported the view, advanced by last week's GDP report, that the Federal Reserve would delay its next move to put up interest rates.

Despite the favourable news, stocks appeared to have run out of steam. Instead, equity investors were content to sit tight, delaying their next big moves until after Friday's crucial employment data. The keenly watched report may provide the Fed with the last piece of evidence it needs to make a decision on when to lift rates again.

However, investors were showing no inclination to cut and run. Stocks across the board hovered within a tight range of their opening values and started to creep forward in the early afternoon in tandem with the Treasury market.

Among the Dow industrials, a few cyclicals issues continued to post solid gains. International Paper was $1½ ahead at $75⅝ amid a general upturn among paper and pulp stocks.

Elsewhere, Georgia Pacific gained $2 to $67⅞ and Scott Paper added $1 to $59⅝. Federal Paper Board was marked up $⅝ to $26⅝ after PaineWebber upgraded its rating.

United Technologies climbed as high as $64¼ but slipped back to $63⅝ for a net gain of $⅝. Over the last few sessions, the stock has retraced some of the losses it had suffered on the release of its second-quarter results.

Bethlehem Steel, up $⅝ at $23⅝, appreciated amid reports of higher prices being paid by Chrysler for raw materials. National Steel pushed $1¼ higher to $22⅞ but LTV receded $⅜ to $19⅛.

In pharmaceuticals, investors shrugged off news that SmithKline Beecham was holding talks on a asset swap which could take American Cynamid out of the prescription drug business. SmithKline added $⅝ to $32¼ and American $⅝ to $63⅝.

On the Nasdaq, Physicians Corporation of America was marked down $2⅞, or 13 per cent, to $19⅝ after releasing second-quarter net income of 32 cents a share, a penny below the consensus forecast on Wall Street.

Canada

Toronto was firm in sluggish midday trading, with gains in most sectors restrained by sharp losses in gold and precious metals.

The TSE-300 composite index edged forward 1.52 to 4,180.49 in volume of 24.9m shares.

The golds sector was down 155.33 at 9,337.78 as Comex gold prices remained weak.

Other losing groups included industrial products as Newbridge Networks plunged C$18 to C$40¼ after Monday's warning that fiscal first-quarter profits would not meet analysts' estimates.

Stelco class A was up C$¼ at C$8⅝: steel stocks received a boost after the US-based LTV won price increases averaging 10 per cent in contracts from Chrysler.

Canadian Pacific advanced C$1 to C$21⅝ after the company reported sharply better second-quarter earnings.

Mexico rises sharply on prospects for election

Mexican shares rose sharply in early trading on optimism that the ruling party would win the general election later this month.

The IPC index of 37 leading shares gained 40.46, or 1.6 per cent, at 2,514.

However, brokers remained divided, saying that the market could drop when it reached the resistance level of 2,520 or move ahead towards its next resistance level at 2,560.

Telmex L shares gained 1.34 per cent, while its Telmex ADRs were $⅞ higher at $62¼.

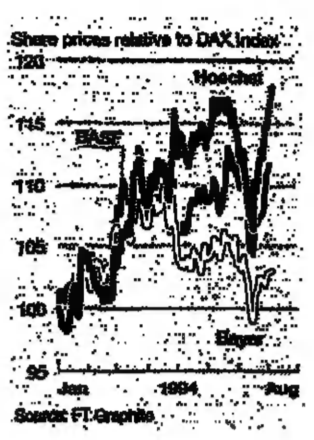
● Salomon Brothers said it had increased the weighting of Mexican equities in its Latin American portfolio to 40 per cent from 38 per cent, based on a positive economic and political outlook for the country.

Salomon added that it had maintained its 3,100 estimate for the Mexican bolsa's IPC index by the year-end, up by about 26 per cent from the current level. Following a recent visit to Mexico, Salomon said it was confident that the ruling party candidate Mr Ernesto Zedillo would win the August 21 presidential election with between 43 per cent and slightly more than 50 per cent of the vote.

EUROPE

German chemicals sector boosted by upgrade

Overnight gains on Wall Street gave bourses a good start yesterday, although there was also talk of their domestic attractions, *writes Our Markets Staff.*



Source: FT Graphite

FRANKFURT, after a recovery based on better bond markets, a stronger dollar and the outlook for the German economy, put in an extra spurt after DB Research, the Deutsche Bank research arm, put out sharply upgraded earnings estimates for the big three German chemical companies.

The Dax index rose 32.60 to 2,186.39 and continued to improve after hours, ending 1.5 per cent higher on the day at an Ibis-indicated 2,193.63.

Ms Petra Zamagna, for DB Research, lifted BASF's 1994 and 1995 earnings estimates from DM14.50, and DM23, to DM21 and DM30; Hoechst's from DM16 and DM27 to DM25 and DM31; and Bayer's from DM25.50 and DM30 to DM26 and DM32.50. She noted that the accent was on the two more cyclical stocks, BASF and Hoechst, rather than on Bayer, with its strong position in pharmaceuticals.

BASF rose DM8.70 to DM329.20, Bayer DM9.30 to DM372.80 and Hoechst DM12.80 to DM358.50. Ms Zamagna said that the reason for the ugrades was that business was much better than expected.

The third quarter, she said, normally produced a downturn in order intake and an absence of product price increases but this year there was evidence, backed up by recent progress reports from ICI, in the UK, and Solvay, in Belgium, that the order intake had continued to grow in July and that product price rises were continuing to take place.

In the broad market, turnover soared from DM4.7bn to DM8.5bn. Financials were relatively weak after Monday's stagnant first-half operating profits at Bayernhypo, but Daimler rose with renewed vigour, by DM16.20 to DM816.20. In engineering and metals, Preussag and Thyssen added DM12.30 at DM466 and DM9 at DM305.50 on the assumption that their products will feed the recovery in the German economy as a whole.

FT-SE Actuaries Share Indices

Aug 2								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1405.88	1406.45	1407.55	1411.44	1413.62	1415.19	1415.11	1416.62
FT-SE Eurotrack 200	1439.85	1439.18	1440.88	1445.24	1448.31	1449.84	1448.12	1450.53

	Aug 1	Jul 29	Jul 28	Jul 27	Jul 26
FT-SE Eurotrack 100	1390.30	1387.98	1372.12	1370.08	1381.70
FT-SE Eurotrack 200	1421.84	1415.61	1410.54	1406.86	1424.29

Base 1000 (26/10/90); Highday: 100 - 1418.44; 200 - 1452.18 Lowday: 100 - 1405.66 200 - 1438.87

PARIS was another beneficiary of the livelier atmosphere across the Continent and was also supported by higher turnover, up to FFr4.6bn from Monday's low FFr2bn. The CAC-40 index advanced 47.65, or 2.3 per cent, to 2,117.23.

UBS Global Research highlighted the fall in French unemployment in June – the first monthly decrease since 1990. "More jobs means more positive income prospects and higher consumption, underpinning our robust consumption forecast of 2.4 per cent growth in 1994," the research team commented. "Also, as unemployment falls, it becomes less of an issue in the presidential election, diminishing the prospects of some radical departure from present policy. This will have the effect of settling the bond market and, through this channel, supporting the equity market."

Peugeot moved FFr11 ahead to FFr870 on a rise in domestic new car sales in July.

ZURICH, returning from a long weekend break, rose 2 per cent as it caught up with Wall Street. The SMI index added 50.2 at 2,629.7, but trading was quiet and volume low.

Banks were firm, CS Holding bearers rising SFr11 to SFr582, with last Friday's figures from Credit Suisse, which contained no unpleasant surprises, providing cautious encouragement. UBS moved up SFr12 to SFr1,196 ahead of its six-month figures due later in the week.

Roche certificates continued their recovery from recent lows, bouncing SFr170 to SFr5,490. Ciba registered were marked SFr28 higher to SFr809.

AMSTERDAM made further headway and the AEX index finished at its highest level since mid-April, rising 7.1, or 1.7 per cent, to 419.24 in anticipation of the interim report season.

Akzo Nobel and DSM, featuring second-quarter results today, made respective gains of Fl 2.80 and Fl 3.10 to Fl 219.50 and Fl 147.40. Analysts were expecting both chemical groups to confirm signs of Europe-wide recovery, while DSM is seen as providing the stronger results.

ABN-Amro gained further ground, following on from Monday's rise when it broke through the Fl 60 resistance level, to end up Fl 2.20 at Fl 62.30. Unilever was another of the day's big risers, climbing Fl 5.50 to Fl 195.90.

MILAN hoped that Mr Silvio Berlusconi's address to parliament last night would help to clear the air. The Comit index rose 6.63 to 715.33.

Industrials led the advance, as hopes grew for positive first-half results. Fiat added L62 at L7,041 and Olivetti put on L34 at L2,433. Pirelli firmed L34 to L2,940 after announcing that it was selling its 50 per cent stake in Caboto Sim for L72bn to Ambroveneto.

Stet put on L140 at L5,384 after Monday's growth forecasts forgroup income and operating profits this year. Sip rose L106 to L4,608.

MADRID majored on its US quoted stocks and turnover nearly doubled on the day, jumping from Pta26.1bn to Pta50.65bn as strong buying was seen in Telefónica, Repsol and Endesa.

Unfortunately, the US stimulus weakened in the late afternoon and the general index closed off its best, 1.42 higher at 320.80. Telefónica and Repsol finished modestly better, up by Pta10 at Pta1,880 and Pta30 at Pta4,275, while Endesa eventually fell Pta30 to Pta6,230.

Written and edited by William Cochrane, John Pitt and Michael Morgan

ASIA PACIFIC

Nikkei recovers 1.7%, Shanghai falls on profit-taking

Tokyo

A fall in the yen and the overnight advance on Wall Street prompted a rise in the stock futures market, and the Nikkei 225 average rallied 1.7 per cent in low volume on index-linked buying by arbitrageurs, *writes Emiko Terazono in Tokyo.*

The index ended 388.78 ahead at 20,660.13 after opening at the day's low of 20,429.29 and setting a high of 20,661.93 just before the close. Buying by investment trusts and dealers also supported share prices in the afternoon.

A total of 250m shares changed hands, against 179m on Monday. Small-lot buying also came from public funds, while traders said overseas investors, who have been leading sellers during the past few weeks, remained absent.

The Topix index of all first section stocks gained 22.78, or 1.4 per cent, at 1,652.60 and the Nikkei 300 rose 4.49 to 300.16, recovering the 300 level for the first time since July 20. Gainers led losers by 871 to 168, with 132 issues unchanged. In London the ISE/Nikkei 50 index added 2.54 at 1,346.22.

High-technology electricals and other exporters firmed on the rise in the dollar, while consumption-related stocks, including food manufacturers and retailers, gained ground due to the recent recovery in consumer confidence. Drug companies and stocks linked to the Aids theme were purchased ahead of the international Aids conference starting this weekend in Yokohama.

Among exporters, Hitachi moved ahead Y41 to Y1,010, Toshiba Y29 to Y776, Honda Motor Y40 to Y1,750 and Sony Y150 to Y6,000.

Investors were also encouraged by the prospect that July supermarket sales could rise from a year earlier due to the hot weather, for the first time in 23 months. Retailers firmed, with Daiei rising Y60 to Y1,820 and Isetan Y20 to Y2,040.

Reports that Japan Telecom, a telecommunications operator, would be listed in September supported East Japan Railway, which owns a 22.7 per cent stake in the company. JR East advanced Y12,000 to Y527,000, while Nippon Telegraph and Telephone added Y25,000 at Y862,000.

Nippon Kayaku, a drugmaker, jumped Y32 to Y816.

In Osaka, the OSE average put on 227.96 at 22,911.30 in volume of 60.6m shares.

Roundup

Profit-taking took its toll in some of the region's markets.

SHANGHAI's A share index made a spirited early attempt to build on Monday's 36.1 per cent surge before profit-taking left the market 3.2 per cent down on the day. The index of shares available to local investors lost 14.28 at 433.42, sharply off its intraday high of 499.49.

Volume reached a record *920m shares with turnover hitting* Yn5.31bn ($617m), the second highest in history.

Analysts commented, however, that the mood remained positive in the wake of Beijing's ban on all new share issues and listings this year, and an announcement yesterday that companies that had published prospectuses would not go ahead with issues. They expected the market to make further upward progress in coming days.

Shandong Bohai Group, Monday's star with a 103 per cent gain, was the day's heaviest loser. It dropped 25.9 per cent to Yn4.67 on profit-taking.

In Shenzhen, the A index closed 2.24, or 1.8 per cent, down at 125.80 after a day's high of 143.16.

In contrast, Shanghai's B index of shares that can be bought by foreigners rose just 0.93 to 73.36 and the Shenzhen B index put on 0.08 at 100.14.

HONG KONG finished higher after a day of seesaw trading within a tight range. The Hang Seng Index ended 11.35 per cent up at 9,695.03 in heavy turnover for the time of year of HK$5.6bn. Some blue chips lost ground on profit-taking. Sun Hung Kai Properties shed 50 cents to HK$52.25, China Light 50 cents to HK$41.40 and Wharf 40 cents to HK$32.50.

China-based H shares made gains on the back of better than expected economic data and Monday's A share rally in China. Tsingtao Brewery rose 35 cents to HK$6.80.

SEOUL saw profit-taking in reaction to rising local interest rates as trading volume fell to its low for the year. The August 12 deadline to redeem part of borrowings by investment trust companies to the central bank also cast gloom on the market.

The composite index dipped 5.14 to 927.55 in volume of 16.7m shares. Among recent firm performers, Posco fell Won400 to Won74,400 and Samsung Electronics lost Won1,000 at Won89,000.

KUALA LUMPUR was spurred to a five-month high by institutional and retail demand and the composite index rose 18.85, or 1.8 per cent, to 1,075.19.

Investors had pushed the index to a day's peak of 1,077.26 as positive corporate earnings reports rekindled interest in blue chips, before some profit-taking pulled prices back from their best levels.

SYDNEY failed to build on a strong opening rise and the All Ordinaries index closed just 4.8 firmer at 2,086.9, having seen a 16-point gain early on. Turnover was A$482.1m. BHP closed at a record high, up 8 cents at A$19.52, but below an intraday peak of A$19.70.

MANILA dropped back on a bout of profit-taking following a solid rise early in the session brought on by good company results. The composite index, which had risen to an intraday high of 2,905, closed 16.81 down at 2,866.53. Turnover rose to 1.6bn pesos.

Manila Electric was the biggest loser among blue chips: its B shares fell 3.4 per cent to 355 pesos. PLDT went against the trend, firming 5 pesos to 1,720 pesos.

BANGKOK ended slightly lower, adjusting its support level before breaching the 1,400 psychological resistance. The SET index closed 2.26 easier at 1,399.72 after fluctuating between 1,391.06 and 1,409.40 in high turnover of Bt11.21bn.

Bangchak Petroleum, which made its debut, closed at Bt48.50, against its offer price of Bt31, in turnover of Bt2.2bn.

TAIPEI built on Monday's gain, with electronics stocks doing well. The weighted index was up 40.54, or 0.6 per cent, at 6,879.56, after touching 6,919.60, in turnover of T$126.6bn.

Institutional buying in the electronics sector, which put on nearly 3 per cent, was strong throughout the session: Tatung rose T$5 to T$86.5.

S Africa golds give up gains

Gold shares gave up the day's strong gains after the bullion price unexpectedly tumbled to $379 an ounce in late trade and buyers turned sellers. The overall index ended 32 higher at 5,684, industrials put on 35 at 6,437 and golds finished 1 ahead at 2,143.

Strong speculative interest by local and foreign buyers continued for steelmaker Iscor, which added 8 cents at R4.18 but was off the day's high. Highveld Steel, up R3.25 at R31.75, held on to its gain after bouncing on good results and improved sector sentiment. De Beers rose R1.75 to R113 and Anglos R3 to R253.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY AUGUST 1 1994								FRIDAY JULY 29 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (68)	175.45	0.9	169.06	109.63	143.61	158.30	1.2	3.48	173.88	167.76	110.09	143.61	156.48	189.15	139.24	140.96
Austria (17)	189.07	2.4	182.17	118.14	154.75	154.73	1.6	1.03	184.68	178.17	116.93	152.53	152.36	195.41	165.68	155.68
Belgium (37)	174.89	1.1	168.52	109.28	143.14	139.76	0.1	3.96	173.08	167.00	109.60	142.97	139.58	176.67	143.62	146.19
Canada (105)	127.32	-0.4	122.68	79.55	104.20	127.96	0.0	2.65	127.86	123.37	80.96	105.61	127.96	145.31	120.54	126.43
Denmark (33)	274.92	1.4	264.89	171.78	225.01	231.97	0.7	1.28	271.11	261.56	171.67	223.93	230.27	275.79	211.26	211.59
Finland (24)	162.65	1.6	156.72	101.63	133.12	177.08	0.7	0.80	160.17	154.54	101.42	132.30	175.78	163.27	99.98	99.98
France (97)	178.01	0.8	171.52	111.23	145.69	160.26	-0.1	2.93	176.65	170.44	111.86	145.91	150.42	185.37	156.27	166.27
Germany (58)	144.98	1.3	139.69	90.59	118.66	118.66	0.4	1.74	143.11	138.09	90.62	118.21	118.21	147.07	112.69	112.69
Hong Kong (56)	394.23	2.2	379.86	246.33	322.67	391.00	2.2	3.10	385.64	372.10	244.20	318.56	382.49	506.58	280.06	280.06
Ireland (14)	199.67	1.0	192.39	124.77	163.43	183.92	0.0	3.32	197.74	190.79	125.21	163.33	183.92	209.33	158.80	158.80
Italy (61)	84.72	-1.2	81.63	52.94	69.34	99.90	-1.8	1.62	85.72	82.71	54.28	70.81	101.77	87.78	57.88	69.84
Japan (468)	164.49	0.8	158.49	102.78	134.63	102.78	-0.5	0.74	163.10	157.37	103.28	134.72	103.28	170.10	124.54	157.34
Malaysia (98)	506.31	3.4	487.85	316.37	414.40	505.68	3.4	1.83	489.57	472.37	310.01	404.39	489.10	621.83	350.23	350.85
Mexico (18)	2103.38	1.7	2026.67	1314.28	1721.52	7815.16	1.6	1.71	2068.77	1996.06	1309.98	1708.79	7691.55	2647.08	1604.83	1604.83
Netherland (27)	212.09	1.6	204.36	132.53	173.59	171.00	0.7	3.32	208.80	201.47	132.22	172.47	169.81	212.08	167.79	167.79
New Zealand (14)	68.75	0.4	66.25	42.96	56.27	60.56	0.2	3.85	68.47	66.06	43.35	56.55	60.41	77.59	56.38	55.78
Norway (23)	210.01	0.8	202.35	131.22	171.88	196.10	0.0	1.69	208.44	201.11	131.99	172.17	196.02	210.01	159.48	159.48
Singapore (44)	352.91	1.9	340.05	220.52	288.85	245.05	1.8	1.72	348.23	334.07	219.24	285.99	241.11	378.92	250.07	250.07
South Africa (59)	286.07	0.4	275.63	178.75	234.13	289.16	0.0	2.15	284.94	274.93	180.43	235.38	288.28	292.84	175.93	215.29
Spain (42)	149.12	2.7	143.68	93.18	122.05	146.37	2.0	3.94	145.19	140.08	91.93	119.92	143.56	155.79	116.33	116.33
Sweden (36)	222.76	1.5	214.64	139.19	182.33	256.16	1.1	1.56	219.54	211.83	139.02	181.34	252.33	231.35	172.42	172.42
Switzerland (47)	158.47	1.1	152.69	99.02	129.70	130.69	0.0	1.86	156.68	151.17	99.21	128.41	130.69	176.56	127.18	127.18
United Kingdom (204)	194.66	0.6	187.56	121.63	159.32	187.56	0.5	4.02	193.51	188.71	122.53	159.84	188.71	214.99	178.89	178.89
USA (519)	188.36	0.6	181.49	117.69	154.16	188.36	0.6	2.86	187.24	180.66	118.56	154.66	187.24	196.04	178.95	183.26
EUROPE (720)	172.00	0.9	165.73	107.48	140.78	155.41	0.3	2.98	170.49	164.50	107.96	140.82	154.95	178.58	145.29	145.29
Nordic (116)	219.37	1.4	211.37	137.07	179.54	214.72	0.9	1.38	216.31	208.71	136.97	178.67	212.82	220.60	163.82	163.82
Pacific Basin (749)	173.12	1.0	166.81	108.18	141.70	113.24	-0.1	1.06	171.36	165.34	108.51	141.55	113.35	178.88	134.79	160.30
Euro-Pacific (1469)	172.53	1.0	166.23	107.80	141.20	130.05	0.1	1.67	170.87	164.86	108.20	141.14	129.97	173.89	143.88	154.02
North America (624)	184.57	0.6	177.84	115.33	151.07	184.22	0.6	2.85	183.56	177.10	116.23	151.61	183.17	192.73	175.67	179.75
Europe Ex. UK (516)	155.79	1.1	150.11	97.35	127.51	135.92	0.2	2.38	154.16	148.74	97.61	127.33	135.66	167.47	125.71	125.71
Pacific Ex. Japan (280)	258.05	2.0	248.65	161.25	211.21	230.85	2.0	2.79	252.98	244.10	160.20	208.97	226.28	298.21	190.00	190.00
World Ex. US (1651)	173.54	0.9	167.21	108.43	142.03	133.48	0.1	1.89	171.83	165.80	108.87	142.01	133.37	174.76	145.58	154.62
World Ex. UK (1966)	175.74	0.8	169.33	109.81	143.84	146.87	0.2	2.04	174.28	168.15	110.35	143.95	146.51	176.74	155.96	161.86
World Ex. So. Af. (2111)	176.76	0.8	170.31	110.45	144.67	149.54	0.3	2.23	175.31	169.15	111.01	144.81	149.14	178.56	158.54	162.94
World Ex. Japan (1701)	186.49	0.8	179.69	116.53	152.64	178.42	0.6	2.87	185.01	178.51	117.15	152.82	177.38	195.20	166.39	166.39
The World Index (2170)	177.43	0.8	170.95	110.86	145.22	150.58	0.3	2.23	175.93	169.80	111.44	145.36	150.18	178.97	158.85	163.20

Latest prices were unavailable for this edition. Markets closed 1/8/94. Canada, Ireland and Switzerland.